

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to other tax consequences with respect to the Bonds.

\$26,065,000**BELMONT JOINT POWERS FINANCING AUTHORITY****\$16,120,000****SEWER REVENUE BONDS
SERIES 2016****\$9,945,000****SEWER REFUNDING REVENUE BONDS
SERIES 2016****Dated: Date of Delivery****Due: August 1, as shown on inside front cover**

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of certain of the risks to timely payment of the Bonds.

The Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2016 (the "New Money Bonds") are being issued to (i) finance certain improvements to the Sewer System of the City of Belmont (the "City"), (ii) fund a reserve fund for the Bonds, and (iii) pay the costs incurred in issuing the New Money Bonds. The Belmont Joint Powers Financing Authority Sewer Refunding Revenue Bonds Series 2016 (the "Refunding Bonds" and, together with the New Money Bonds, the "Bonds") are being issued to (i) currently refund the Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2001, (ii) currently refund the Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2006, (iii) fund a reserve fund for the Refunding Bonds, and (iv) pay the costs incurred in issuing the Bonds.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds, which is payable semiannually on each February 1 and August 1, commencing August 1, 2016, and the principal thereof are payable by the Trustee to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the Bonds through their nominees.

The Bonds are subject to optional redemption and mandatory sinking fund redemption as more fully described herein.

Each of the New Money Bonds and the Refunding Bonds will be issued and secured pursuant to the terms of separate indentures by and between the Belmont Joint Powers Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). The Bonds of each Series are special obligations of the Authority payable solely from Revenues consisting generally of the Installment Payments to be made by the City pursuant to the respective Installment Purchase Agreements and from amounts on deposit in certain funds and accounts held under the respective Indentures. No other funds of the Authority or of the City are pledged to or available for payment of the principal of or interest on the Bonds.

The Installment Payments securing each of the New Money Bonds and the Refunding Bonds are special obligations of the City under the applicable Installment Purchase Agreement secured by a pledge of System Net Revenues of the City.

Neither the faith and credit nor the taxing power of the State of California, the City or the Authority is pledged to the payment of the Bonds. The Bonds do not constitute a debt, liability or obligation of the State of California, the City (other than the Authority payable solely from the Revenues), and neither the directors of the Authority nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Authority has no taxing power.

MATURITY SCHEDULE
(see inside front cover)

Pursuant to the terms of a public sale on February 25, 2016, the Bonds were awarded to Fidelity Capital Markets as Underwriter for the Bonds, at a True Interest Cost of 3.052646%. The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed on for the City and the Authority by the City Attorney. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about March 24, 2016.

Dated: February 25, 2016

MATURITY SCHEDULE

Base CUSIP[†]: 080178

\$16,120,000

**BELMONT JOINT POWERS FINANCING AUTHORITY
SEWER REVENUE BONDS
SERIES 2016**

\$9,830,000 Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
2017	\$90,000	3.000%	0.500%	CR5	2029	\$140,000	2.150%	2.270%	DD5
2018	95,000	3.000	0.600	CS3	2030	145,000	4.000	2.410 ⁽¹⁾	DE3
2019	105,000	5.000	0.710	CT1	2031	150,000	4.000	2.520 ⁽¹⁾	DF0
2020	100,000	5.000	0.820	CU8	2032	630,000	3.000	2.820 ⁽¹⁾	DG8
2021	110,000	4.000	0.980	CV6	2033	655,000	3.000	2.900 ⁽¹⁾	DH6
2022	110,000	4.000	1.180	CW4	2034	670,000	3.000	3.000	DJ2
2023	115,000	5.000	1.380	CX2	2035	690,000	3.000	3.050	DK9
2024	120,000	5.000	1.580	CY0	2036	1,010,000	3.000	3.100	DL7
2025	125,000	5.000	1.730	CZ7	2037	1,040,000	3.000	3.150	DM5
2026	140,000	5.000	1.880	DA1	2038	1,070,000	3.000	3.210	DN3
2027	140,000	2.000	2.050	DB9	2039	1,105,000	3.125	3.300	DP8
2028	140,000	2.000	2.150	DC7	2040	1,135,000	3.250	3.390	DQ6

\$2,390,000 – 3.375% Term Bonds, due August 1, 2042, Yield 3.450%; CUSIP^(†): DR4

\$3,900,000 – 3.500% Term Bonds, due August 1, 2045, Yield 3.550%; CUSIP^(†): DS2

\$9,945,000

**BELMONT JOINT POWERS FINANCING AUTHORITY
SEWER REFUNDING REVENUE BONDS
SERIES 2016**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
2016	\$485,000	5.000%	0.250%	BV7	2026	\$605,000	5.000%	1.880%	CF1
2017	415,000	3.000	0.500	BW5	2027	640,000	2.000	2.050	CG9
2018	425,000	3.000	0.600	BX3	2028	655,000	2.000	2.150	CH7
2019	435,000	5.000	0.710	BY1	2029	670,000	2.150	2.270	CJ3
2020	465,000	5.000	0.820	BZ8	2030	685,000	4.000	2.410	CK0
2021	485,000	4.000	0.980	CA2	2031	710,000	4.000	2.520	CL8
2022	505,000	4.000	1.180	CB0	2032	265,000	3.000	2.820	CM6
2023	525,000	5.000	1.380	CC8	2033	270,000	3.000	2.900	CN4
2024	555,000	5.000	1.580	CD6	2034	280,000	3.000	3.000	CP9
2025	580,000	5.000	1.730	CE4	2035	290,000	3.000	3.050	CQ7

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. None of the Underwriter, the Financial Advisor or the City is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽¹⁾ Yield to call at par on August 1, 2026.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Authority. No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the Authority or the City.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside the Authority and the City which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority or the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the City in any press release and in any oral statement made with the approval of an authorized officer of the Authority, the City or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement.

“The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The City maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

CITY COUNCIL/BOARD OF DIRECTORS

Eric Reed, Mayor
Charles Stone, Vice-Mayor
Davina Hurt, Member
Doug Kim, Member
Warren Lieberman, Member

CITY STAFF

Greg Scoles, City Manager
John Violet, Treasurer
Thomas Fil, Finance Director
Scott Rennie, City Attorney
Terri Cook, City Clerk

FINANCIAL ADVISOR

Public Financial Management, Inc.
San Francisco, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
San Francisco, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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	\$26,065,000	
	BELMONT JOINT POWERS FINANCING AUTHORITY	
\$16,120,000		\$9,945,000
SEWER REVENUE BONDS		SEWER REFUNDING REVENUE BONDS
SERIES 2016		SERIES 2016

INTRODUCTION

General. This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of (i) the Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2016 (the “New Money Bonds”) and (ii) the Belmont Joint Powers Financing Authority Sewer Refunding Revenue Bonds, Series 2016 (the “Refunding Bonds” and, together with the New Money Bonds, the “Bonds”). Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in Appendix C hereto entitled “DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS.” This Introduction is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The New Money Bonds are being issued pursuant to an Indenture, dated as of March 1, 2016 (the “New Money Indenture”), by and between the Belmont Joint Powers Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The New Money Bonds are authorized pursuant to the terms of Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Law”).

The Refunding Bonds are being issued pursuant to an Indenture, dated as of March 1, 2016 (the “Refunding Indenture” and, together with the New Money Indenture, the “Indentures”), by and between the Authority and the Trustee. The Refunding Bonds are authorized pursuant to the terms of Article 4 of Chapter 5 of Division 7 of Title 1 of the Law and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Law.

The Authority. The Authority is a joint exercise of powers agency created pursuant to the California Government Code and the Joint Exercise of Powers Agreement, dated as of August 1, 1992 between the Belmont Redevelopment Agency and the City of Belmont (the “City”). For more information regarding the Authority, see “THE AUTHORITY” herein.

Purpose. The New Money Bonds are being issued to (i) finance certain improvements to the Sewer System (the “Sewer System”) of the City, (ii) fund a reserve fund for the Bonds, and (iii) pay the costs incurred in issuing the New Money Bonds.

The Refunding Bonds are being issued to (i) currently refund the Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2001 (the “2001 Bonds”), (ii) currently refund the Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2006 (the “2006 Bonds” and, together with the 2001 Bonds, the “Prior Bonds”), (iii) fund a reserve fund for the Refunding Bonds, and (iv) pay the costs incurred in issuing the Bonds. See “FINANCING PLAN” herein.

Security for the Bonds. The Bonds of each Series will be issued and secured pursuant to the terms of the applicable Indenture. The Bonds of each Series are special obligations of the Authority payable solely from Revenues consisting generally of the Installment Payments to be made by the City and from amounts on deposit in certain funds and accounts held under the applicable Indenture. Financial and other information concerning the City is presented in Appendix A attached hereto. No funds of the Authority other than the Revenues are pledged to or available for payment of the principal of or interest on any Series of Bonds.

The Installment Payments securing the New Money Bonds are special obligations of the City under an Installment Purchase Agreement entered into by the City with the Authority and dated as of March 1, 2016 (the “New Money Installment Purchase Agreement”). The Installment Payments due from the City under the New Money Installment Purchase Agreement are secured by a pledge of the System Net Revenues on a parity with the pledge of System Net Revenues securing the Refunding Installment Payments.

The Installment Payments securing the Refunding Bonds are special obligations of the City under an Installment Purchase Agreement entered into by the City with the Authority and dated as of March 1, 2016 (the “Refunding Installment Purchase Agreement” and together with the New Money Installment Purchase Agreement, the “Installment Purchase Agreements”). The Installment Payments due from the City under the Refunding Installment Purchase Agreement are secured by a pledge of the System Net Revenues on a parity with the pledge of System Net Revenues securing the New Money Installment Payments.

Neither the faith and credit nor the taxing power of the State of California, the City or the Authority is pledged to the payment of the Bonds. The Bonds do not constitute a debt, liability or obligation of the State of California, and neither the directors of the Authority nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Authority has no taxing power.

For more information regarding the security for the Bonds, see “SECURITY FOR THE BONDS” herein.

Additional Debt Tests Under Installment Purchase Agreements. The Installment Purchase Agreements permit the City to enter into additional obligations secured by System Net Revenues on a parity with the New Money Installment Payments and Refunding Installment Payments provided that certain conditions are satisfied as described herein. For more information concerning the additional debt tests under the respective Installment Purchase Agreements, see “SECURITY FOR THE BONDS – Additional Debt Tests Under the Installment Purchase Agreements” herein.

Rate Covenant Under the Installment Purchase Agreements. The Installment Purchase Agreements will require the City, to the fullest extent permitted by law, to fix, prescribe and collect rates and charges and maintain its operations such that System Net Revenues will be equal to 125% of the New Money Installment Payments, Refunding Installment Payments, other Parity Debt of the City during each Fiscal Year, all as more particularly described herein. For more information concerning the rate covenant see “SECURITY FOR THE BONDS – Rate Covenants Under the Installment Purchase Agreements” herein.

The Reserve Funds. Concurrently with the issuance of each Series of the Bonds, the Trustee is to establish, maintain and hold in trust a separate fund under the applicable Indenture designated as

the Reserve Fund. Moneys available to each Reserve Fund will be used and withdrawn solely for the purpose of paying principal of and interest on the applicable Series of Bonds in the event the applicable Installment Payments deposited with the Trustee are insufficient therefor. For more information concerning the Reserve Funds, see “SECURITY FOR THE BONDS – Reserve Funds” herein.

Competitive Sale of Bonds. The Bonds were sold at a competitive sale held on February 25, 2016 in accordance with the Notice of Sale attached to the front of the Preliminary Official Statement.

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption as more fully described herein. See “THE BONDS” herein.

Continuing Disclosure and Additional Information. The City will covenant in the Continuing Disclosure Certificate to provide certain financial information and operating data relating to the City and notices of certain events. For more information concerning continuing disclosure, see “CONTINUING DISCLOSURE” herein and Appendix E attached hereto.

FINANCING PLAN

General

The Sewer System in the City consists of approximately 85 miles of gravity sanitary sewers and force mains and 11 pump stations. The service area of the Sewer System consists of approximately 2,350 acres, serving an estimated population of about 26,700 persons. Sewer treatment is provided for the City through its participation in Silicon Valley Clean Water (the “SVCW”). Wastewater from the City’s Sewer System is transported by gravity and pressure pipelines to the SVCW’s Shoreway Pump Station, where it is pumped to the SVCW treatment plant in Redwood City for treatment and disposal. The Sewer System has approximately 7,663 connections in the City of Belmont, and flows are in the 1.8 million gallon per day range, accounting for approximately 13.6% of the flows to the SVCW treatment plant.

The Project

A portion of the proceeds of the New Money Bonds will be deposited into the Project Fund established under the Indenture and used to acquire and construct certain public capital improvements of the City’s Sewer System. The capital improvements consist of projects such as increased capacity for the Ralston Avenue and San Juan Boulevard sewer mains to accommodate existing and future flows; the first phase of rehabilitation and upgrades to the City’s 11 pump stations; improvements identified as the highest priorities for the City’s force mains and gravity lines; the purchase and installation of flow monitoring equipment throughout the system; inflow and infiltration remediation and other related projects of the Sewer System.

Refunding Plan

The proceeds from the sale of the Refunding Bonds will be used to currently refund the Prior Bonds and pay the costs of issuance of the Bonds.

Escrow Fund. The net proceeds from the sale of the Refunding Bonds shall be deposited with The Bank of New York Mellon Trust Company, N.A., acting as escrow agent (the “Escrow Agent”), to the credit of the “Belmont Joint Powers Authority Sewer Refunding Revenue Bonds, Series 2016 Escrow Fund” (the “Escrow Fund”) established pursuant to an escrow agreement relating to the Prior Bonds (the “Escrow Agreement”) by and between the City, the Authority and the Escrow Agent. Pursuant to the Escrow Agreement, the amount deposited in the Escrow Fund will be used to enable the Escrow Agent to pay the principal of and redemption premium (if any) on the Prior Bonds on the date of issuance of the Bonds.

Escrow Verification. The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, if any, to pay the principal of and interest on the Prior Bonds, as described above, will be verified by Causey Demgen & Moore P.C., as verification agent (the “Verification Agent”). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the Prior Bonds will be defeased pursuant to the provisions of the Installment Purchase Agreements and the Indentures under which the Prior Bonds were issued, as of the date of issuance of the Refunding Bonds.

THE BONDS

General

The Bonds will be dated their date of delivery and will be payable in the years and amounts and bear interest at the respective rates set forth on the inside cover page hereof, which interest shall be payable on February 1 and August 1 of each year, commencing August 1, 2016 (each, an “Interest Payment Date”). The Bonds will be delivered only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. See “– Book-Entry Only System” below.

Book-Entry Only System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but the City and the Authority take no responsibility for the accuracy or completeness thereof. The City and the Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest on, principal of or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative

of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distribution on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distribution to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the City will cause the Trustee to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the City, and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry only system as described herein is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

The principal of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the principal trust office of the Trustee. Interest on the Bonds will be paid by the Trustee by check or draft mailed to the person whose name appears on the registration books of the Trustee as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest payments shall be wired to a bank and account number on file with the Trustee as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof, as applicable) upon presentation and surrender at the principal trust office of the Trustee, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Trustee. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Upon exchange or transfer, the Trustee shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the City nor the Trustee will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Optional Redemption

The New Money Bonds maturing on and before August 1, 2026 are not subject to redemption prior to their fixed maturity dates. The New Money Bonds maturing on or after August 1, 2027 are subject to optional redemption by the Authority on any date on or after August 1, 2026, prior to their respective stated maturity dates, as a whole or in part in such principal amounts and from such maturity dates as selected by the Authority at the direction of the City, from funds derived by the Authority from any lawful source and deposited with the Trustee not less than five (5) days prior to the date of redemption, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount of the Bonds or the portions thereof called for redemption, together with interest accrued thereon to the date fixed for redemption.

The Refunding Bonds maturing on and before August 1, 2026 are not subject to redemption prior to their fixed maturity dates. The Refunding Bonds maturing on or after August 1, 2027 are subject to optional redemption by the Authority on any date on or after August 1, 2026, prior to their respective stated maturity dates, as a whole or in part in such principal amounts and from such maturity dates as selected by the Authority at the direction of the City, from funds derived by the Authority from any lawful source and deposited with the Trustee not less than five (5) days prior to the date of redemption, upon mailed notice as provided in the Indenture, at a redemption price equal to the principal amount of the Bonds or the portions thereof called for redemption, together with interest accrued thereon to the date fixed for redemption.

Sinking Fund Redemption

Sinking Fund Installments are established under the Indenture for the mandatory redemption and payment of the New Money Term Bonds maturing on August 1, 2042, which payments will become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any such Term Bonds have been optionally redeemed as described above the amounts of such Sinking Fund Installments will be reduced by the principal amount of all such Term Bonds so optionally redeemed).

New Money Term Bonds Due August 1, 2042

Date (August 1)	Sinking Fund Installment
2041	\$1,175,000
2042 ⁽¹⁾	<u>1,215,000</u>
Total	<u>\$2,390,000</u>

⁽¹⁾ Maturity.

Sinking Fund Installments are established under the Indenture for the mandatory redemption and payment of the New Money Term Bonds maturing on August 1, 2045, which payments will become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any such Term Bonds have been optionally redeemed as described above the amounts of such Sinking Fund Installments will be reduced by the principal amount of all such Term Bonds so optionally redeemed).

New Money Term Bonds Due August 1, 2045

Date (August 1)	Sinking Fund Installment
2043	\$1,255,000
2044	1,300,000
2045 ⁽¹⁾	<u>1,345,000</u>
Total	<u>\$3,900,000</u>

⁽¹⁾ Maturity.

Redemption Procedures

Whenever less than all the Outstanding Bonds of a Series maturing on any one date are called for redemption at any one time, the Trustee will select the Bonds of such Series to be redeemed (from the Outstanding Bonds of such Series maturing on such date not previously selected for redemption) by lot in any manner which the Trustee deems fair. In connection with any optional redemption of the Bonds of a Series, the Authority will deposit with the Trustee money sufficient to redeem any such Outstanding Bonds not later than five (5) days prior to the redemption date of the Bonds to be redeemed.

Notice of redemption of any Bonds of a Series or any portions thereof will be mailed by first class mail, postage prepaid, by the Trustee not less than 30 nor more than 60 days prior to the

redemption date of such Bonds (i) to the respective Owners of the Bonds designated for redemption at their addresses appearing on the bond registration books kept by the Trustee, (ii) to the Information Services and (iii) to the Securities Depositories. Each notice of redemption of Bonds of a Series will state the date of such notice, the Bonds of such Series to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, whether funds are then on deposit sufficient to pay the redemption price, the place of redemption (including the name and appropriate address), the CUSIP number (if any) of the maturity or maturities, and, if less than all Bonds of such Series of any such maturity are to be redeemed, the distinctive numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds of the applicable Series to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on such redemption date there will become due and payable on each of such Bonds the redemption price thereof or of the specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee specified in the redemption notice as the place of redemption; provided, that failure by the Trustee to give notice to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice or the failure of any Owner to receive any redemption notice mailed to such Owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

From and after the date fixed for redemption of any Bonds of a Series or any portions thereof, if notice of such redemption will have been duly given and funds available for the payment of such redemption price of the Bonds or such portions thereof so called for redemption will have been duly provided, no additional interest will accrue on such Bonds or such portions thereof from and after the redemption date specified in such notice.

Debt Service Schedules

New Money Bonds. The table below shows the annual debt service requirements for the New Money Bonds.

Year Ending <u>August 1</u>	New Money Bonds <u>Principal</u>	New Money Bonds <u>Interest</u>	New Money <u>Bonds Total</u>
2016	--	\$187,515.94	\$187,515.94
2017	\$90,000.00	531,541.26	621,541.26
2018	95,000.00	528,841.26	623,841.26
2019	105,000.00	525,991.26	630,991.26
2020	100,000.00	520,741.26	620,741.26
2021	110,000.00	515,741.26	625,741.26
2022	110,000.00	511,341.26	621,341.26
2023	115,000.00	506,941.26	621,941.26
2024	120,000.00	501,191.26	621,191.26
2025	125,000.00	495,191.26	620,191.26
2026	140,000.00	488,941.26	628,941.26
2027	140,000.00	481,941.26	621,941.26
2028	140,000.00	479,141.26	619,141.26
2029	140,000.00	476,341.26	616,341.26
2030	145,000.00	473,331.26	618,331.26
2031	150,000.00	467,531.26	617,531.26
2032	630,000.00	461,531.26	1,091,531.26
2033	655,000.00	442,631.26	1,097,631.26
2034	670,000.00	422,981.26	1,092,981.26
2035	690,000.00	402,881.26	1,092,881.26
2036	1,010,000.00	382,181.26	1,392,181.26
2037	1,040,000.00	351,881.26	1,391,881.26
2038	1,070,000.00	320,681.26	1,390,681.26
2039	1,105,000.00	288,581.26	1,393,581.26
2040	1,135,000.00	254,050.00	1,389,050.00
2041	1,175,000.00	217,162.50	1,392,162.50
2042	1,215,000.00	177,506.26	1,392,506.26
2043	1,255,000.00	136,500.00	1,391,500.00
2044	1,300,000.00	92,575.00	1,392,575.00
2045	<u>1,345,000.00</u>	<u>47,075.00</u>	<u>1,392,075.00</u>
Totals	<u>\$16,120,000.00</u>	<u>\$11,690,483.68</u>	<u>\$27,810,483.68</u>

Refunding Bonds. The table below shows the annual debt service requirements for the Refunding Bonds.

<u>Year Ending August 1</u>	<u>Refunding Bonds Principal</u>	<u>Refunding Bonds Interest</u>	<u>Refunding Bonds Total</u>
2016	\$485,000.00	\$132,840.24	\$617,840.24
2017	415,000.00	352,305.00	767,305.00
2018	425,000.00	339,855.00	764,855.00
2019	435,000.00	327,105.00	762,105.00
2020	465,000.00	305,355.00	770,355.00
2021	485,000.00	282,105.00	767,105.00
2022	505,000.00	262,705.00	767,705.00
2023	525,000.00	242,505.00	767,505.00
2024	555,000.00	216,255.00	771,255.00
2025	580,000.00	188,505.00	768,505.00
2026	605,000.00	159,505.00	764,505.00
2027	640,000.00	129,255.00	769,255.00
2028	655,000.00	116,455.00	771,455.00
2029	670,000.00	103,355.00	773,355.00
2030	685,000.00	88,950.00	773,950.00
2031	710,000.00	61,550.00	771,550.00
2032	265,000.00	33,150.00	298,150.00
2033	270,000.00	25,200.00	295,200.00
2034	280,000.00	17,100.00	297,100.00
2035	<u>290,000.00</u>	<u>8,700.00</u>	<u>298,700.00</u>
Totals	<u>\$9,945,000.00</u>	<u>\$3,392,755.24</u>	<u>\$13,337,755.24</u>

SECURITY FOR THE BONDS

Security Under the Indentures

Under each Indenture, the Authority irrevocably transfers and assigns over to the Trustee all of the Installment Payments received by the Authority under the applicable Installment Purchase Agreement and any and all rights it has to enforce the obligations of the City under the applicable Installment Purchase Agreement. The Installment Payments received by the Trustee (the “Revenues”) and amounts in the other funds or accounts held under each Indenture (except the Rebate Funds) are irrevocably pledged by the Authority to the punctual payment of the interest on and principal of and redemption premium, if any, on the applicable Series of Bonds. The Revenues and such other funds and accounts are not permitted to be used for any other purpose while any of the Bonds of the applicable Series remain Outstanding; subject to the provisions permitting the application thereof for the purposes and on the conditions and terms set forth therein. Each Indenture provides that this pledge constitutes a first lien on the applicable Revenues and such other money for the payment of the applicable Series of Bonds in accordance with the terms thereof.

Each Indenture establishes a special fund known as the “Revenue Fund” held by the Trustee into which all Installment Payments, received pursuant to the applicable Installment Purchase Agreement, are deposited. The money in the applicable Revenue Fund is required to be transferred by the Trustee for deposit in the following respective funds (each of which is maintained with the Trustee pursuant to the applicable Indenture) at the following times and in the following order of priority:

- (1) Interest Fund;
- (2) Principal Fund;
- (3) Sinking Fund; and
- (4) Reserve Fund.

Interest Funds. The Trustee will transfer for deposit in the Interest Fund for a Series of Bonds at least five business days prior to each Interest Payment Date, an amount of money from the applicable Revenue Fund which is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds of such Series on such Interest Payment Date.

Principal Funds. The Trustee will transfer for deposit in the Principal Fund for a Series of Bonds at least five business days prior to August 1 of each year, an amount of money from the applicable Revenue Fund which, together with any money contained in the applicable Principal Fund, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds of such Series on such Principal Payment Date.

Sinking Funds. The Trustee will transfer for deposit in the Sinking Fund for a Series of Bonds at least five business days prior to August 1 of each year as required, an amount of money from the applicable Revenue Fund equal to the Sinking Fund Installments for such Series of Bonds payable on such Sinking Fund Payment Date.

Reserve Funds. In the event of a withdrawal of amounts from the Reserve Fund for a Series of Bonds to make payments in respect of the Bonds of such Series to the applicable Interest Fund, Principal Fund or Sinking Fund, the Trustee will deposit in the applicable Revenue Fund amounts necessary to restore the amount in such Reserve Fund to the Reserve Fund Requirement; *provided*, that if there has been a draw upon any policy of insurance, surety bond, letter of credit or other comparable credit facility used to provide all or a portion of the Reserve Fund Requirement for such Series, said Installment Payments will be applied to reimburse the provider of such instrument for payments made under such draw plus its expenses in connection therewith.

Reserve Funds

Under each Indenture, the Trustee holds in trust a separate fund designated as the Reserve Fund. The amount on deposit in the Reserve Fund for a Series of Bonds is required to be maintained in an amount at least equal to the Reserve Fund Requirement. The initial Reserve Fund Requirement for the New Money Bonds is equal to \$861,865.72; the initial Reserve Fund Requirement for the Refunding Bonds is equal to \$531,715.54.

Pledge of Revenues Under the Installment Purchase Agreements

The Installment Purchase Agreements provide that all System Net Revenues and all amounts on deposit in the Sewer Operations Fund (defined below) are irrevocably pledged to the payment of the Installment Payments and that the System Net Revenues will not be used for any other purpose while any of the Installment Payments remain unpaid. The Installment Purchase Agreements provide that this pledge, together with the pledge created by any Parity Debt, constitutes a first and exclusive lien on System Net Revenues for the payment of the Installment Payments and all other Parity Debt.

In order to carry out and effectuate such pledge the City agrees and covenants that all System Revenues will be deposited when and as received in a special fund designated as the "Sewer Operations Fund", which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid. The City is required, from the moneys in the Sewer Operations Fund, to pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the Sewer Operations Fund are required to be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority.

Installment Payments. On or before each Installment Payment Date, the City is required, from the moneys in the Sewer Operations Fund, to transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. Any moneys on deposit in the Revenue Fund on each Installment Payment Date (other than amounts required for the payment of past due principal or interest on any Bond not presented for payment) will be credited to the payment of the portion of the Installment Payments designated as interest due and payable on such date. No transfer need be made by the City as an Installment Payment if the amount in the applicable Revenue Fund is at least equal to the amount of the applicable Installment Payment due and payable on the next succeeding Installment Payment Date.

Reserve Funds. On or before the first Business Day of each month, the City is required to, from the remaining moneys in the Sewer Operations Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, to transfer to the Trustee for deposit in the applicable Revenue Fund for application to the Reserve Funds in accordance with the applicable Indenture, and to the applicable trustee for such other Reserve Funds, if any, as may have been established in connection with Parity Obligations, that sum, if any, necessary to restore the Reserve Funds to an amount equal to the Reserve Fund Requirements and otherwise replenish the Reserve Funds for any withdrawals to pay the Installment Payments due under the respective Installment Purchase Agreement and necessary to restore such other reserve accounts to an amount equal to the amount required to be maintained therein; provided that payments to restore the Reserve Funds after a withdrawal will be in an amount equal to 1/12 of the aggregate amount needed to restore the Reserve Funds to the Reserve Fund Requirements as of the date of the withdrawal.

Surplus. Moneys on deposit in the Sewer Operations Fund not necessary to make any of the payments described above, may be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to Subordinate Obligations.

Additional Debt Tests Under Installment Purchase Agreements

Pursuant to the Installment Purchase Agreements, the City may at any time issue any Parity Debt payable from System Net Revenues on a parity with the Installment Purchase Agreements; provided (among other things):

(1) the System Net Revenues as shown by the books of the City for the 12 calendar months ending prior to the incurring of such additional obligations shall have amounted to at least 125% of Annual Debt Service for such 12 calendar month period; and

(2) the estimated System Net Revenues for the 12 calendar months following the date of incurring such additional obligations will be at least equal to 125% of Maximum Annual Debt Service on all Parity Debt to be outstanding immediately after the incurring of such additional obligations.

For purposes of the computations to be made as described in clause (2) above, the determination of the System Net Revenues: (i) may take into account any increases in rates and charges which relate to the Sewer System and shall take into account any reduction in such rates and charges, which will be effective prior to or at the time of incurring such proposed additional obligations; (ii) may take into account an allowance for any estimated increase in such System Net Revenues from any revenue producing additions to or improvements or extensions of the Sewer System to be made with the proceeds of such additional obligations or with the proceeds of obligations previously issued, as shown by a certificate of an Independent Financial Consultant; and (iii) for the period contemplated by clause (2), Operation and Maintenance Costs of the Sewer System shall be deemed to be the same as for the period for which a calculation is done pursuant to clause (1), but adjusted, if deemed necessary by the Independent Financial Consultant, for any increased Operation and Maintenance Costs of the Sewer System which are, in the judgment of the Independent Financial Consultant, essential to maintaining and operating the Sewer System.

Notwithstanding the foregoing, Parity Debt issued to refund outstanding Bonds may be delivered without satisfying the conditions set forth above if Debt Service in each fiscal year after the fiscal year in which such Parity Debt is issued is not greater than Debt Service would have been in each such fiscal year prior to the issuance of such Parity Debt.

Rate Covenants Under the Installment Purchase Agreements

Each of the Installment Purchase Agreements provides that the City will fix, prescribe and collect rates, fees and charges and manage the operation of the Sewer System for each fiscal year so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such fiscal year:

- (i) All current Operation and Maintenance Costs.
- (ii) The applicable Installment Payments and payments for other Parity Debt and the payment of the Subordinate Obligations as they become due and payable.
- (iii) All payments required for compliance with the terms of the applicable Installment Purchase Agreement, including restoration of the applicable Reserve Fund to an amount equal to the Reserve Fund Requirement, and of any Supplemental Agreement.
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the System Net Revenues.

In addition, the City has covenanted in the Installment Purchase Agreements that it will, to the maximum extent permitted by law, fix, prescribe and collect rates and charges for the Sewer Service which will be at least sufficient to yield during each fiscal year System Net Revenues equal to 125% of the applicable Debt Service payable in such fiscal year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the System Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the

rate covenant. See the caption “THE SEWER SYSTEM – Charges and Billing” herein for a further discussion of the City’s ability to establish and charge rates and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES – Proposition 218” herein.

ESTIMATED SOURCES AND USES OF FUNDS

New Money Bonds

The following table sets forth the estimated sources and uses of funds relating to the New Money Bonds.

<u>Sources:</u>	
Principal Amount of New Money Bonds	\$16,120,000.00
Net Original Issuance Premium	<u>62,356.95</u>
Total Sources	<u>\$16,182,356.95</u>
<u>Uses:</u>	
Project Fund	\$15,000,000.00
Reserve Fund	861,865.72
Costs of Issuance Fund ⁽¹⁾	<u>320,491.23</u>
Total Uses	<u>\$16,182,356.95</u>

⁽¹⁾ Includes certain legal, financing and printing costs.

Refunding Bonds

The following table sets forth the estimated sources and uses of funds relating to the Refunding Bonds.

<u>Sources:</u>	
Principal Amount of Refunding Bonds	\$9,945,000.00
Net Original Issuance Premium	1,149,847.55
Transfer from 2001 Bonds Reserve Fund ⁽¹⁾	487,586.08
Transfer from 2006 Bonds Reserve Fund ⁽¹⁾	<u>464,851.17</u>
Total Sources	<u>\$12,047,284.80</u>
<u>Uses:</u>	
Escrow Fund	\$11,316,148.02
Reserve Fund	531,715.54
Costs of Issuance Fund ⁽²⁾	<u>199,421.24</u>
Total Uses	<u>\$12,047,284.80</u>

⁽¹⁾ Amounts released from the reserve funds relating to the Prior Bonds established under the respective Indentures.

⁽²⁾ Includes certain legal, financing and printing costs.

THE SEWER SYSTEM

General

The City’s Sewer System consists of the City’s sanitary sewer collection. The Sewer System provides collection of all residential, commercial and light industrial sewage in the City service area. The Sewer System facilities include over 85 miles of sewer lines and 11 sewer lift stations.

Service Area and Customers

The Sewer System serves an area of approximately 4.3 square miles in the City. The City is the sole and exclusive provider of sewer service within the corporate limits of the City, which had a population estimated to be 26,748 as of January 1, 2015. The tables below show the number of users to the Sewer System from 2010 to 2015 and the revenues of the Sewer System categorized by user type as of June 30, 2015.

Sewer Service User Base As of June 30, 2010 to 2015

<u>User Type</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
All Users	8,254	8,254	8,242	8,243	8,242	8,240

Source: City of Belmont.

Sewer Service Revenues by User Type As of June 30, 2015

<u>User Type</u>	<u>Revenue</u>	<u>Percent</u>
Single Family & Multiple Family Residential	\$7,302,203	87.0%
Commercial/Institutional	<u>1,110,053</u>	<u>13.0</u>
Total Revenue	\$8,412,256	100.0%

Source: City of Belmont.

Largest Sewer Users. The ten largest users of the City's Sewer System, in terms of fiscal year 2014-15 charges are listed in the table below.

Ten Largest Users of the Sewer System As of June 30, 2015

<u>User</u>	<u>Type</u>	<u>Fiscal Year 2014-15 Revenues⁽¹⁾</u>
Prime Old Country LP	Multifamily Residential	\$145,899
McLellan Estate Co.	Multifamily Residential	110,204
McLellan Estate Co.	Multifamily Residential	83,797
Crestview South Apartments LLC	Multifamily Residential	69,663
Carlmont Woods II LLC	Multifamily Residential	68,800
Belmar Lessee	Commercial – Hotel	65,633
Carlmont Heights LLC	Multifamily Residential	59,213
Timberlane Apts Partnership LP	Multifamily Residential	57,844
College of Notre Dame	College	47,659
Essex Portfolio LP	Multifamily Residential	43,566

⁽¹⁾Includes Base and Flow Charges

Source: City of Belmont.

Charges and Billing

Current Rates. The following table summarizes the fiscal year 2015-16 monthly sewer rates in effect for the City. These rates are in effect as of July 1, 2014 and may be subject to future rate increases. For information concerning Proposition 218 which may affect the City's ability to impose sewer fees and charges, see "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES – Proposition 218" herein. For a projection of revenues and expenditures of the Sewer System and rate increases that may be proposed and considered in future fiscal years under Proposition 218, see "– Projected Operating Results and Debt Service Coverage" herein.

Monthly Sewer Rates and Charges for Residential and Commercial Users

<u>Classification</u>	<u>Base Charge</u>	<u>Flow Charge</u>
Low strength:		
Residential – including single-family and multi-family	\$242.29	\$3.19
Commercial	242.29	3.19
High strength:		
Commercial	242.29	6.21

Source: City of Belmont.

Connection Fees. The City charges a connection fee for new connections to the City's Sewer System. Connection fees are not included in Revenues and are not therefore pledged to the payment of Installment Payments.

Rate Setting and Collections. Pursuant to City Ordinance, there is levied and assessed upon each premises having any sewer connection with the sewerage system of the City or otherwise discharging sewage which ultimately passes through the City sewerage system, a service charge. Rates and charges for sewer service are fixed, from time to time, by resolution of the City Council. Sewer charges for the prior year are collected on the next year's property tax bill and are paid in two installments due on November 1 and March 1.

Teeter Plan

The Board of Supervisors of San Mateo County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the City, for which the County acts as the tax-levying or collecting agency. The Teeter Plan was effective as of July 1, 1993.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or collecting agency, or for which the County treasury is the legal depository of the collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and

special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The sewer fees which comprise the Revenues are subject to the Teeter Plan. The City will receive 100% of the sewer fees billed irrespective of actual delinquencies in the collection of the fees by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes and fees actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or collecting agency.

Historical Financial Results

The following tables set forth certain financial results of the Sewer System for fiscal years 2010-11 through 2014-15. The financial information is derived from the audited financial statements of the City for such years. The audited financial statements of the City for the fiscal year 2014-15 are attached hereto as Appendix A and should be read in their entirety.

**Sewer System
Summary Statement of Historical
Revenues and Expenditures
Fiscal Years 2010-11 through 2014-15**

	<u>Fiscal Year 2010-11</u>	<u>Fiscal Year 2011-12</u>	<u>Fiscal Year 2012-13</u>	<u>Fiscal Year 2013-14</u>	<u>Fiscal Year 2014-15</u>
REVENUES:					
Charges for services	\$6,430,195	\$6,153,537	\$6,851,049	\$8,054,697	\$8,413,152
Miscellaneous charges	682	(9,168)	871	500	--
Interest revenue ⁽¹⁾	9,641	17,358	8,605	11,726	12,711
Joint venture interest ⁽¹⁾	<u>157,550</u>	<u>(59,163)</u>	<u>(88,572)</u>	<u>(326,150)</u>	<u>(922,413)</u>
Total Revenues	6,598,068	6,102,564	6,771,953	7,740,773	7,503,450
EXPENSES:					
Personnel services	1,119,718	1,208,295	1,105,207	1,137,123	1,181,169
Supplies, materials and services	3,138,386	3,424,741	3,347,179	3,535,644	4,037,932
Sewer treatment services	297,737	168,137	158,820	204,549	--
Interest expense	<u>592,244</u>	<u>577,839</u>	<u>562,980</u>	<u>547,501</u>	<u>530,041</u>
Total Expenses	5,148,085	5,379,012	5,174,186	5,424,817	5,749,142
Total Operating Transfers ⁽²⁾	1,178,759	(1,020,405)	(704,024)	(547,775)	(628,769)
REVENUES OVER (UNDER) EXPENSES	<u>\$2,628,742</u>	<u>(\$296,853)</u>	<u>\$893,743</u>	<u>\$1,768,181</u>	<u>\$1,125,539</u>

⁽¹⁾ Not included in Revenues under the Installment Purchase Agreement.

⁽²⁾ Includes transfers for storm drain improvements that mitigate infiltration and intrusion into the sewage system.

Source: City of Belmont.

Long-Term Obligations

Other than the Installment Payments, the City will have no other long-term obligations payable from System Net Revenues after the issuance of the Bonds. See “SECURITY FOR THE BONDS – Additional Debt Tests Under Installment Purchase Agreements” and “FINANCING PLAN” herein.

Projected Operating Results and Debt Service Coverage

Set forth below are the City’s budgeted and projected operating results for the Sewer System for the five-year period ending June 30, 2020, and projected debt service coverage calculated in accordance with the terms of the rate covenant under the Installment Purchase Agreements. See “SECURITY FOR THE BONDS – Rate Covenants Under the Installment Purchase Agreements” herein. Certain of the assumptions upon which these projections are based are set forth in the footnotes to the following table. Although the City believes that the assumptions upon which the projections are based are reasonable, no assurances can be made that the projected results will be realized. Factors which could cause actual results to vary significantly from the projected results include, but are not limited to, substantial variances in actual events from the assumptions, the occurrence of one or more of the events described under “RISK FACTORS” herein or the occurrence of events not presently anticipated by the City.

City of Belmont⁽¹⁾
Schedule of Budgeted & Projected Revenues and Expenses
Fiscal Years 2015-16 through 2019-20

	Budgeted	Projected			
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
System Revenues ⁽²⁾	\$9,089,874	\$9,811,722	\$10,543,007	\$11,329,614	\$11,893,317
Operations & Maintenance					
Expenditures	<u>6,261,988</u>	<u>6,674,058</u>	<u>6,940,106</u>	<u>7,103,314</u>	<u>7,100,503</u>
System Net Revenues	2,827,886	3,137,664	3,602,901	4,226,300	4,792,814
Debt Service Sewer Revenue					
Bonds, Series 2001 ⁽³⁾	476,389	-	-	-	-
Debt Service Sewer Revenue					
Bonds, Series 2006 ⁽³⁾	449,756	-	-	-	-
Debt Service Sewer Revenue					
Bonds, Series 2016	-	453,287	620,191	622,416	628,366
Debt Service Sewer Refunding					
Revenue Bonds, Series 2016	-	793,993	761,080	758,480	751,230
Potential Future Parity Debt ⁽⁴⁾	-	-	-	-	487,886
Surplus, After Debt Service ⁽⁴⁾⁽⁵⁾	<u>\$1,901,741</u>	<u>\$1,890,385</u>	<u>\$2,221,630</u>	<u>\$2,845,404</u>	<u>\$2,925,332</u>
Debt Service Coverage Ratio ⁽⁴⁾⁽⁵⁾	3.05	2.52	2.61	3.06	2.57

⁽¹⁾ No assurance can be given that actual results of the City will not vary, perhaps significantly, from projections set forth in this table. Such variances could be material and could produce unexpected results.

⁽²⁾ Projections of System Revenues include a potential rate increase of 7.0% in fiscal year 2016-17, 6.5% in fiscal years 2017-18 and 2018-19, and 4.0% in fiscal year 2019-20. Any rate increases must be approved by the City Council following the procedural and substantive requirements of Proposition 218 as described in "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES – Proposition 218" herein. If the potential rate increases are not approved, and the current rates continue, the following projections would replace those above for fiscal years 2016-17 through 2019-20:

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
System Revenues	\$2,505,264	\$2,329,558	\$2,257,597	\$2,352,567
System Net Revenues	1,499,313	1,554,250	1,554,750	2,042,136
Surplus, After Debt Service	<u>\$1,257,985</u>	<u>\$948,287</u>	<u>\$876,701</u>	<u>\$485,085</u>
Debt Service Coverage Ratio	2.01	1.69	1.63	1.26

⁽³⁾ Reflects refunding of the Prior Bonds as described under "FINANCING PLAN – Refunding Plan" herein.

⁽⁴⁾ Preliminary, subject to change.

⁽⁵⁾ For fiscal years 2013-14 through 2015-16, does not include amounts on deposit in the Rate Stabilization Fund. If such amounts were added to System Net Revenues, debt service coverage would be higher than shown.

Source: City of Belmont.

Retirement Contributions

The information set forth below regarding the City's retirement programs, other than the information provided by the City regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by any of the City, the Financial Advisor or the Underwriter.

CalPERS. Substantially all full-time City employees, including employees of the Sewer System, are eligible to participate in pension plans offered by the California Public Employees' Retirement System ("CalPERS"). CalPERS provides retirement and disability benefits, annual cost-of-

living adjustments, and death benefits to plan members and beneficiaries. The City's employees participate in separate Safety and Miscellaneous Employee Plans (respectively, the "Safety Plan" and the "Miscellaneous Plan") established by CalPERS on behalf of the City, with police employees generally participating in the Safety Plan and all other City employees participating in the Miscellaneous Plan. Benefit provisions for each of the Safety Plan and Miscellaneous Plan are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. Benefits under both the Safety Plan and the Miscellaneous Plans (together, the "Plans") are based on years of service: one service year equals one year of employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts. See "– California Public Employees' Pension Reform Act of 2013" herein.

In recent years the City and its employee bargaining units have agreed to implement pension plan tiers in order to enable the City to manage future retirement contribution costs. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Safety Plan</u>		<u>Miscellaneous Plan</u>	
	<i>Tier 1: Employees Hired Prior to January 1, 2012</i>	<i>Tier 2: Employees Hired After January 1, 2012</i>	<i>Tier 1: Employees Hired Prior to January 1, 2012</i>	<i>Tier 2: Employees Hired After January 1, 2012</i>
Benefit Vesting Schedule	5 Years Service	5 Years Service	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50	50-55	50-63	50-63
Monthly Benefits, as percentage of Annual Salary	3.0%	2.4-3.0%	1.426-2.418%	1.426-2.418%
Required Employee Contribution Rates	9%	9%	7%	7%
Required Employer Contribution Rates	37.833%	20.774%	15.002%	10.773%

Source: City of Belmont.

City employees who were never enrolled in any plan offered by CalPERS prior to January 1, 2013 receive the following benefits as part of the Tier 3 Plan: (i) Safety Plan members receive monthly benefits equal to 2.7% of annual salary beginning at retirement age 57 and (ii) Miscellaneous Plan members receive monthly benefits equal to 2.0% of annual salary beginning at retirement age 62.

CalPERS determines contribution requirements for the Plans using a modification of the Entry Age Normal Actuarial Cost Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to compute contribution requirements and also used to compute the actuarial accrued liability. The City pays 100% of its actuarially required contributions with each payroll and the net pension liability as of June 30, 2015 is \$25,066,671. See "– GASB Statement Nos. 67 and 68" herein and "Appendix A — THE CITY'S FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2014-2015 — Notes to Financial Statements, Note 10" attached hereto.

Pension Side Fund. At the time the City joined the CalPERS Pool in July 2005, the City was required to create an employer side fund (the "Pension Side Fund") to account for and amortize the unfunded liabilities in the City's Plans. The City satisfied its Miscellaneous Plan's unfunded liability

of \$3,400,416 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 14 years. These additional contributions are reflected in the table of City contributions below. It satisfied its Safety Plan's liability of \$3,277,883 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next seven years, which additional contributions were completed in 2012.

City Contributions. The City's contributions to the Safety Plan and Miscellaneous Plan as of June 30 for fiscal years 2011-12 through 2014-15, and as budgeted for fiscal year 2015-16, are summarized as follows:

<u>Fiscal Year</u>	<u>Safety Plans Contributions</u>	<u>Miscellaneous Plans Contributions</u>	<u>Total</u>
2011-12	\$1,300,357	\$1,108,299	\$2,408,656
2012-13	1,087,209	1,056,878	2,144,087
2013-14	1,076,005	1,098,772	2,174,777
2014-15	1,087,426	1,159,341	2,246,767
2015-16	1,245,060	1,332,478	2,577,538

Source: City of Belmont.

As of the June, 30, 2014, the date of the City's most recent actuarial valuations for the Safety Plans and the Miscellaneous Plans prepared by CalPERS, the market values of plan assets, accrued liability, and unfunded liability of each of the Safety Plans and the Miscellaneous Plans are as follows:

	<u>Safety Plan Tier 1</u>	<u>Safety Plan Tier 2</u>	<u>Total</u>
Market Value of Plan Assets	\$35,930,930	\$100,300	\$36,031,230
Entry Age Normal Accrued Liability	47,846,363	94,563	47,940,926
Unfunded Liability	11,915,433	(5,737)	11,909,696
Funded Ratio	75.1%	106.1%	75.2%

	<u>Miscellaneous Plan Tier 1</u>	<u>Miscellaneous Plan Tier 2</u>	<u>Miscellaneous Plan Tier 3</u>	<u>Total</u>
Market Value of Plan Assets	\$45,604,364	\$33,261	\$56,618	\$45,694,243
Entry Age Normal Accrued Liability	57,161,454	28,620	51,400	57,241,474
Unfunded Liability	11,557,090	(4,641)	(5,218)	11,547,231
Funded Ratio	79.8%	116.2%	110.2%	79.83%

Source: CalPERS Actuarial Valuations for the City of Belmont as of June 30, 2013.

For further information about the City's CalPERS Safety Plans and Miscellaneous Plans, see "Appendix A — THE CITY'S FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2014-2015 — Notes to Financial Statements, Note 10" attached hereto.

CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial report may be obtained from CalPERS at: CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, CalPERS maintains a website, as follows: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

On March 14, 2012, the CalPERS Board of Administration (the "CalPERS Board") voted to lower the CalPERS' rate of expected price inflation and its investment rate of return (net of

administrative expenses) (the “CalPERS Discount Rate”) from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by CalPERS member public agencies, including the City, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the most recent date of consideration thereof, the CalPERS Board voted to keep the CalPERS Discount Rate unchanged at 7.5%.

On April 17, 2013, the CalPERS Board approved new actuarial policies aimed at returning CalPERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The CalPERS Board delayed the implementation of the new actuarial policies until fiscal year 2015-16 for all local public agencies.

Also, on February 20, 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20-year period and related increases in public agency contribution rates shall be effected over a three year period. The new actuarial assumptions will first be reflected in the June 30, 2015 actuarial valuation for all local public agencies.

The City presently believes that the new policies of the CalPERS Board described here will cause the City’s total CalPERS contributions to the Safety Plan and the Miscellaneous Plan to increase by approximately \$452,226 per year. That said, the City cannot predict the exact amount of future contribution increases and it cannot predict what further actions may be taken by CalPERS in order to secure the system and to reduce its unfunded liabilities. To the extent that the CalPERS actions result in increased City contributions to the Safety Plan and Miscellaneous Plan, the City will be required to make adjustments to its budget and the City may have lesser amounts of General Fund revenues available for non-retirement expenditures and obligations.

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (the “Reform Act”), which makes changes to CalPERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). Pursuant to the Reform Act, safety CalPERS participants, such as members of the City’s Safety Plan, hired after the Implementation Date, must participate in one of three, new defined benefit formulas, such plans having a normal retirement age at 50 and a maximum benefit factor at age 57. Under the “Basic Formula,” at the normal retirement age of 50 and through the age of 56, participants are eligible for a 1.426% age factor; at age 57 and older, participants are eligible for a 2% age factor. Under “Option Plan 1,” at the normal retirement age of 50 and through age 56, participants are eligible for a 2% age factor; at age 57 and older, participants are eligible for a 2.5% age factor. Under “Option Plan 2,” at the normal retirement age of 50 and through age 56, participants are eligible for a 2% age factor; at age 57 and older, participants are eligible for a 2.7% age factor. The new formula implemented for a given public agency shall be the one that is closest to the formula offered to its prior Safety Plan members of the same classification and which provides a lower benefit at 55 years of age than the formula offered to such prior Safety Plan members. For non-safety CalPERS participants, such as members of the City’s Miscellaneous Plan, hired after the Implementation Date, the Reform Act changes the normal

retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

Among the other changes to CalPERS, the Reform Act also: (i) requires all new participants enrolled in CalPERS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved two new standards (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The City’s share of the net pension liabilities for each of the Plans is shown below:

Pension Plan	Safety Plan Tier 1	Safety Plan Tier 2	Miscellaneous Plan Tier 1	Miscellaneous Plan Tier 2	Miscellaneous Plan Tier 3	TOTAL CITY
Proportionate Share of Net Pension Liability	\$11,982,594	\$7,366	\$12,745,310	\$9	\$1,400	\$25,066,671

For more information, see Note 10 to the fiscal year 2014-15 audited financial statements of the City, which are attached hereto as Appendix A.

Deferred Compensation Plan. City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan (the “Deferred Compensation Plan”) created in accordance with Internal Revenue Code Section 457. Under the Deferred Compensation Plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by such plan. The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. The City has contracts with various administrators to manage and invest the assets of the Deferred Compensation Plan. For further information about the Deferred Compensation Plan, see “Appendix A — THE CITY’S FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2014-2015 — Notes to Financial Statements, Note 10” attached hereto.

Other Post-Employment Benefits

The City provides certain health care benefits to retirees pursuant to a post-employment health care benefits plan (the “OPEB Plan”) administered by CalPERS. City employees may become eligible to receive retiree benefits under the OPEB Plan when they reach age 50 and have either 10 or 12 years of service, depending on hire date and bargaining unit. As of June 30, 2015, approximately 76 City employees were eligible to receive OPEB Plan benefits.

The City participates in the California Employers Retirees Benefit Trust, an irrevocable trust established to fund OPEB, and administered by CalPERS. The annual required contribution (the “ARC”) for the OPEB Plan was determined as part of the April 1, 2014 actuarial valuation using the entry age normal actuarial cost method. The ARC as of June 30 for fiscal years 2011-12 through 2014-15, along with the City’s budgeted contribution for fiscal year 2015-16 is shown in the table below. The City has contributed 100% of the ARC in every year:

<u>Fiscal Year</u>	<u>OPEB Plan Contributions</u>
2011-12	\$838,000
2012-13	840,000
2013-14	867,000
2014-15	728,485
2015-16	810,000

Source: City of Belmont.

As of April 1, 2014, the OPEB Plan was 32.10% funded with an unfunded actuarial accrued liability of approximately \$6,977,000. For further information about the City’s post-employment health care benefits, see “Appendix A — THE CITY’S FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2014-2015 — Notes to Financial Statements, Note 11” attached hereto.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California (the “State”) at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge will not exceed the funds required to provide the property-related service, (ii) such revenues will not be used for any purpose other than that for which the fee or charge was imposed, (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership will not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeals decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to wastewater rates and charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. Since 2006, the City has complied with the notice, hearing and protest procedures in Article XIID with respect to wastewater rates and charges.

Article XIII C. Article XIII C provides that the initiative power will not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges will be applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIII D referred to above are applicable to Article XIII C. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The City does not believe that Article XIII C grants to the voters within the City the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the City. No assurance can be given that the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, pledged to the payment of the Installment Payments. There can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. See “RISK FACTORS – Limitations on Remedies and Bankruptcy” herein.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the Bonds, the Indentures and the Installment Purchase Agreements are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified.

Article XIII B

The California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial source for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The City is of the opinion that its charges for sewer service in the City's service area do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The City has covenanted in the Installment Purchase Agreements that it will prescribe rates and charges sufficient to provide for payment of Installment Payments in each year. See the caption "SECURITY FOR THE BONDS – Rate Covenants Under the Installment Purchase Agreements" herein.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City believes that its rates and charges are not taxes under Proposition 26.

Future Initiatives

Article XIII B, Article XIII C and Article XIII D and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of

the various issues. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

General

The payment of principal of and interest on the each Series of Bonds is secured solely by a pledge of the Revenues and certain funds under the applicable Indenture. Revenues in each case consist of Installment Payments to be made by the City. The obligations of the City to make such Installment Payments are secured by the System Net Revenues. No assurance can be made that System Net Revenues, estimated or otherwise, will be realized in an amount sufficient to pay the applicable Installment Payments of the City. The realization of future System Net Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide services to its users, and the ability of the City to establish and maintain Sewer System charges sufficient to provide the required debt service coverage as well as pay for Operation and Maintenance Costs.

The ability of the City to comply with its covenants under the Installment Purchase Agreements and to generate System Net Revenues sufficient to pay the applicable Installment Payments may be adversely affected by actions and events outside the control of the City and may be adversely affected by actions taken (or not taken) under Article XIIC or Article XIID by voters, property owners, taxpayers or payers of assessments, fees and charges.

In addition, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of System Net Revenues realized by the City and ultimately the ability of the City to pay the applicable Installment Payments. The operations of the Sewer System of the City also depend upon a reliable energy supply.

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Bonds, the City has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Sewer System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the System Net Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected herein. See the caption “THE SEWER SYSTEM – Projected Operating Results and Debt Service Coverage.” The City may choose, however, to maintain compliance with the rate covenant set forth in the Indenture in part by means of contributions from available reserves or resources. In such event, System Net Revenues may generate amounts which are less than 125% of the Debt Service in any given Fiscal Year. See the caption “SECURITY FOR THE BONDS – Rate Covenants Under the Installment Purchase Agreements.”

Sewer System Expenses

There can be no assurance that the City’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities), treatment costs, regulatory compliance costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant.

Earthquakes, Floods and Other Natural Disasters

Earthquakes, floods or other natural disasters could interrupt operation of the Sewer System of the City and cause increased costs and thereby interrupt the ability of the City to realize System Net Revenues sufficient to pay the applicable Installment Payments. The City is not obligated under the Installment Purchase Agreements to provide or maintain earthquake or flood insurance.

Investment of Funds

All funds and accounts held under each Indenture are required to be invested in Authorized Investments as provided under such Indenture. See Appendix C attached hereto for a summary of the definition of Authorized Investments. All investments, including the Authorized Investments and those authorized by law from time to time for investments by public agencies contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indentures or by the City could have a material adverse effect on the security of the Bonds.

Discontinuance of Teeter Plan

The sewer fees that comprise the Revenues are subject to the Teeter Plan. While the Teeter Plan remains in effect, The City will receive 100% of such sewer fees billed irrespective of actual delinquencies in the collection of such fees and charges by the County. See “THE SEWER SYSTEM – Teeter Plan” herein. Neither the Authority nor the City can give any assurance that the Teeter Plan will remain in effect in its present form, or in any form, during the term of the Bonds. If the Teeter Plan is discontinued, the collection of such sewer fees may be impacted. The effect of such a termination is unknown; however, significant delinquencies in property tax collections in the City could produce a significant impact on the timing and amount of collection of such sewer fees.

Parity Obligations

The Indenture permits the City to enter into additional Parity Debt payable from System Net Revenues on a parity with the Bonds, subject to the terms and conditions set forth therein. The entry into additional Parity Debt could result in reduced System Net Revenues available to pay the Bonds. The City has covenanted to maintain Debt Service coverage of 125%, as further described under the caption “SECURITY FOR THE BONDS – Additional Debt Tests Under the Installment Purchase Agreements.”

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the City has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Indenture applicable to the Bonds. The Bonds are not subject to redemption or

any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See the caption “TAX MATTERS.”

Drought Declaration

On January 17, 2014, the State Governor declared a drought state of emergency (the “Declaration”) with immediate effect. The Declaration includes the following orders, among others: (a) local urban water suppliers, including the City, are encouraged to implement their local water shortage contingency plans (the City’s plan is discussed below); (b) local urban water suppliers, including the City, are encouraged to update their urban water management plans to prepare for extended drought conditions; (c) the California Department of Water Resources (“DWR”) and the SWRCB are directed to expedite the processing of water transfers; (d) the SWRCB is directed to put water rights holders on notice that they may be required to cease or reduce water diversions in the future; (e) the SWRCB is directed to consider modifying requirements for reservoir releases or diversion limitations; and (f) DWR is directed to take necessary actions to protect water quality and supply in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the “Bay-Delta”), including the installation of temporary barriers or temporary water supply connections, while minimizing impacts to aquatic species.

In addition, on July 15, 2014, the SWRCB adopted emergency measures requiring water suppliers to implement mandatory Statewide water conservation actions, which are to remain in effect for 270 days. On March 17, 2015, the SWRCB adopted additional emergency regulations limiting outdoor irrigation to two days per week, extending certain measures set forth in the July 15, 2014 action for an additional 270 days, prohibiting outdoor irrigation for 48 hours following rain and prohibiting restaurants from serving water to customers unless requested.

On April 1, 2015, the State Governor issued an executive order extending the measures set forth in the Declaration and adopting the following additional orders, among others: (i) the SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% from 2013 amounts through February 28, 2016; portions of a water supplier’s service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) DWR is directed to fund a statewide initiative to replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to plan salinity barriers in the Bay-Delta.

The City is cooperating with local agencies, including the Mid-Peninsula Water District, the Bay Area Water Supply and Conservation Agency and San Mateo County to publicize information about and provide resources for meeting water conservation goals. The City is not aware of negative impacts of the drought on businesses or residents within the City. However, further changes in government regulations or changes in general and local economic conditions due to the drought could adversely affect the amount of System Net Revenues realized by the City and ultimately the ability of the City to pay the applicable Installment Payments.

Limitations on Remedies and Bankruptcy

The rights and remedies provided in the Indentures and the Installment Purchase Agreements may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinions of Bond Counsel (the forms of which are attached as Appendix D hereto), will be similarly qualified.

The enforcement of the remedies provided in the Installment Purchase Agreements and the Indentures could prove both expensive and time consuming. In the event of a default, the Trustee is not empowered to sell the Project in order to pay debt service on a Series of the Bonds. In addition, the rights and remedies provided in the Installment Purchase Agreements and Indentures may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If the City were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce its rights under the Installment Purchase Agreements and from taking any steps to collect amounts due from the City under the Installment Purchase Agreements.

THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to an agreement which became dated as of August 1, 1992, by and between the City and the Belmont Redevelopment Agency.

Neither the faith and credit nor the taxing power of the State of California or any public agency thereof or the Authority or any member of the Authority is pledged to the payment of the Bonds. The Bonds do not constitute a debt, liability or obligation of the State of California or any public agency thereof (other than the Authority payable solely from the Revenues) or any member of the Authority, and neither the directors of the Authority nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance. The Authority has no taxing power.

LEGAL MATTERS

The legality and enforceability of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix D. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. The payment of fees of Bond Counsel is contingent upon the closing of the financing.

LITIGATION

The Authority will certify to the effect that, to the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court,

regulatory agency, public board or body pending other than as described in the Official Statement (i) in any way questioning the existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the related legal documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Authority to assign and pledge the Installment Payments; or (iii) contesting the completeness or accuracy of the Preliminary Official Statement (excluding all appendices) or the Official Statement (excluding all appendices) or any supplement or amendment thereto or asserting that the Preliminary Official Statement (excluding all appendices) or the Official Statement (excluding all appendices) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The City will certify to the effect that, other than as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best knowledge of the City, threatened (i) in any way questioning the existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting or affecting the validity of the legal documents relating to the Bonds entered into by the City or the consummation of the transactions contemplated thereby, (iii) which may result in any material adverse change relating to the finances or operations of the City; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income

tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received with respect to the Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING

POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indentures and the Tax Certificates relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the City continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Copies of the proposed form of opinion of Bond Counsel with respect to the Bonds are included in Appendix D.

CONTINUING DISCLOSURE

The City has covenanted in the Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than the nine months following the end of the fiscal year (currently its fiscal years end on June 30) (the "Annual Reports"), commencing with the fiscal year ending June 30, 2016, and to provide notices of the occurrence of certain enumerated events.

The Authority has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events.

The specific nature of the information to be contained in the Annual Reports and the notice of enumerated events is set forth in "Appendix E – FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

Within the past five years, the District failed to file the annual report required by its existing continuing disclosure undertakings in a timely manner for fiscal year 2009-10. The annual report for this fiscal year has since been filed. Within such time period, the District has failed to file in a timely manner notices of certain listed events. In connection with the annual report described above, within the past five years, the District did not file a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure certificates.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent has verified from the information provided to them the mathematical accuracy of the computations contained in the provided schedules to determine that the cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal, interest and redemption premium requirements, if any, of the Prior Bonds. The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

RATING

The Bonds have been assigned a rating of “AA+” by Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services LLC business (“S&P”). The rating reflects only the views of S&P, and any explanation of the significance of such rating should be obtained therefrom at the following address: Standard & Poor’s, 55 Water Street, 45th Floor, New York, New York 10041. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The City has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website (“EMMA”) notices of any ratings changes on the Bonds. See “Appendix E - FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the City and prior to the date the City is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agency and its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

The Bonds were sold under competitive sale, and were awarded to Fidelity Capital Markets, whose proposal represented the lowest true interest rate for the Bonds.

The Bonds are being purchased by Fidelity Capital Markets at a purchase price of \$27,035,655.38 which represents \$26,065,000.00 aggregate principal amount of the Bonds less an underwriter’s discount of \$241,549.12, plus an original issue premium of \$1,212,204.50.

FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California, has served as Financial Advisor to the City with respect to the sale of the Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Bonds. The Financial Advisor has not independently verified any of the data contained in this Official Statement or conducted a detailed

investigation of the affairs of the City or the Authority to determine the accuracy or completeness of this Official Statement. Therefore, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained in this Official Statement. The payment of fees of the Financial Advisor is contingent upon the closing of the financing.

FINANCIAL STATEMENTS OF THE CITY

Included herein as Appendix A are the audited financial statements of the City as of and for the year ended June 30, 2015, together with the report thereon dated September 25, 2015, of Maze & Associates (the “Auditor”). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report date.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

BELMONT JOINT POWERS FINANCING AUTHORITY

By: _____ s/Thomas Fil
Controller

CITY OF BELMONT

By: _____ s/Thomas Fil
Finance Director

APPENDIX A

THE CITY'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2014-15

APPENDIX B

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF BELMONT AND SAN MATEO COUNTY

Information contained in this Appendix B is presented as general background data. The Bonds are payable solely from the Revenues, as defined in each Indenture and other sources as described herein. The taxing power of the City of Belmont (the "City"), San Mateo County (the "County"), the State of California, or any political subdivision thereof is not pledged to the payment of the Bonds.

General

The City of Belmont. The City is located in San Mateo County, in between San Francisco and San Jose. The City has a total area of 4.6 square miles, 0.19% of which is water. The City is comprised of residential homes, wooded hills, views of the San Francisco Bay and stretches of open space preserves. The City operates under a council form of government, with five elected council members. It was incorporated in 1926.

San Mateo County. The County has 20 incorporated cities. It is the 14th most populous county in the State of California (the "State"). The County encompasses an area comprising 455 square miles of land and 292 square miles of water. It covers the majority of the San Francisco Peninsula and the Santa Cruz Mountains run through its entire length. The County borders San Francisco County to the north and Silicon Valley and Santa Cruz Counties to the south. The Pacific Ocean lies to the west and the San Francisco Bay to the east. The County is governed by a five member Board of Supervisors, each representing one of five geographic districts. The County was founded in 1856.

Population

The following table below shows historical population figures for the City, the County and the State from 2000 through 2015.

POPULATION ESTIMATES
City of Belmont, San Mateo County and State of California
2000 through 2015

<u>Year⁽¹⁾</u>	<u>City of Belmont</u>		<u>San Mateo County</u>		<u>State of California</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2000 ⁽²⁾	25,123	--	707,163	--	33,873,086	--
2001	25,106	(0.1)%	707,965	0.1%	34,256,789	1.1%
2002	24,950	(0.6)	706,213	(0.2)	34,725,516	1.4
2003	25,071	0.5	704,014	(0.3)	35,163,609	1.3
2004	25,001	(0.3)	702,254	(0.2)	35,570,847	1.2
2005	24,973	(0.1)	700,350	(0.3)	35,869,173	0.8
2006	25,122	0.6	699,347	(0.1)	36,116,202	0.7
2007	25,189	0.3	701,838	0.4	36,399,676	0.8
2008	25,427	0.9	707,820	0.9	36,704,375	0.8
2009	25,634	0.8	713,818	0.8	36,966,713	0.7
2010 ⁽²⁾	25,835	0.8	718,451	0.6	37,253,956	0.8
2011	25,924	0.3	722,372	0.5	37,427,946	0.5
2012	26,124	0.5	729,630	0.8	37,680,593	0.6
2013	26,456	1.1	739,804	1.2	38,030,609	0.8
2014	26,573	0.8	745,635	1.2	38,357,121	0.9
2015	26,748	0.7	753,123	1.0	38,714,725	0.9

⁽¹⁾ January 1 data.

⁽²⁾ April 1 data.

Source: California Department of Finance.

Income

The following table shows per capita personal income for the County, the State and the United States from 2004 through 2014.

PER CAPITA PERSONAL INCOME⁽¹⁾
San Mateo County, State of California and the United States
2004 through 2014

<u>Year</u>	<u>San Mateo County</u>	<u>State of California</u>	<u>United States</u>
2004	\$60,056	\$37,244	\$34,316
2005	65,808	39,046	35,904
2006	72,925	41,693	38,144
2007	77,313	43,182	39,821
2008	75,919	43,786	41,082
2009	70,311	41,588	39,376
2010	71,204	42,411	40,277
2011	76,897	44,852	42,453
2012	85,798	47,614	44,266
2013	85,653	48,125	44,438
2014	89,659	49,985	46,049

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the City, the County and the State from 2010 through 2014.

CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT AND UNEMPLOYMENT RATE City of Belmont, San Mateo County and State of California 2010 through 2014⁽¹⁾

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate (%)</u>
<u>2010</u>				
City of Belmont	14,500	14,500	1,100	7.5%
San Mateo County	377,800	344,900	32,900	8.7
State of California	18,336,300	16,068,400	2,267,900	12.4
<u>2011</u>				
City of Belmont	14,800	13,800	1,000	6.7%
San Mateo County	385,300	355,000	30,300	7.9
State of California	18,417,900	16,249,600	2,168,300	11.8
<u>2012</u>				
City of Belmont	15,300	13,400	900	5.7%
San Mateo County	397,500	371,000	26,500	6.7
State of California	18,519,000	16,589,700	1,929,300	10.4
<u>2013</u>				
City of Belmont	15,600	14,900	700	4.6%
San Mateo County	403,600	381,800	21,800	5.4
State of California	18,596,800	16,933,300	1,663,500	8.9
<u>2014</u>				
City of Belmont	16,000	15,400	600	3.7%
San Mateo County	431,300	413,200	18,100	4.2
State of California	18,811,500	17,397,140	1,430,973	8.9

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2014 Benchmark.

Industry

The following table summarizes the average annual industry employment in the County from 2010 through 2014.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES

San Mateo County
2010 through 2014

<u>Type of Employment</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Farm	1,700	1,600	1,600	1,700	1,700
Mining, Logging and Construction	12,900	14,200	15,200	16,800	19,000
Manufacturing	26,300	25,500	24,400	25,500	25,700
Transportation, Warehousing and Utilities	68,400	68,500	70,200	72,300	74,300
Information	17,500	17,900	20,900	23,800	26,200
Financial Activities	18,600	19,400	20,000	20,200	20,700
Professional and Business Services	60,000	64,000	69,500	71,200	75,400
Educational and Health Services	35,300	36,400	37,400	40,100	42,800
Leisure and Hospitality	33,800	35,400	36,800	39,400	41,200
Other Services	11,200	12,200	12,900	13,400	13,900
Government	<u>31,300</u>	<u>30,600</u>	<u>30,300</u>	<u>30,400</u>	<u>31,200</u>
Total All Industries	317,000	325,500	339,100	354,800	372,200

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2014 Benchmark.

Principal Employers

The following tables list the principal employers located in the City and the County.

PRINCIPAL EMPLOYERS⁽¹⁾ City of Belmont As of June 30, 2015

<u>Employer Name</u>	<u>Range Number of Employees</u>
Oracle America, Inc.	570
Rincentral Inc.	272
Safeway Store	183
SunEdison	150
Nikon Precision Inc.	138
Autobahn Motors	120
Auction.com LLC	112
Volkswagon Group of America	101
Silverado Senior Living Belmont Hills	100
Carlmont Gardens Nursing Center	97

⁽¹⁾ Data not available for ranking or total employment.

Source: "Comprehensive Annual Financial Report" of the City of Belmont, California for the fiscal year July 1, 2014 through June 30, 2015.

PRINCIPAL EMPLOYERS San Mateo County As of June 30, 2014

<u>Employer Name</u>	<u>Employees</u>	<u>% of Total County Employment</u>
County of San Mateo Medical Center	1,241	2.33%
San Mateo-Foster City Unified	1,164	2.18
Franklin Templeton Investor	1,120	2.10
San Mateo Community College District	1,072	2.01
City of San Mateo	949	1.78
San Mateo Union High School District	945	1.77
Fisher Investments	494	0.93
San Mateo County Behavioral Health	475	0.89
Mills Peninsula Health Services	458	0.86
Macy's Department Stores	351	0.66

Source: "Comprehensive Annual Financial Report" of San Mateo County, California for the fiscal year July 1, 2013 through June 30, 2014.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2009 through 2013 are shown in the following tables.

ANNUAL TAXABLE SALES City of Belmont 2009 through 2013 (In Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2009	355	\$153,099	624	\$225,073
2010	359	165,027	613	227,585
2011	357	174,554	616	241,659
2012	349	185,544	599	249,154
2013	347	194,810	589	255,633

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES San Mateo County 2009 through 2013 (In Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2009	11,143	\$7,455,767	18,840	\$11,327,022
2010	11,340	7,846,274	18,979	11,966,338
2011	11,470	8,536,043	18,995	13,020,643
2012	11,748	9,277,144	19,189	13,906,978
2013	12,438	9,935,641	19,808	14,611,618

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Building Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2010 through 2014 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS

City of Belmont
2010 through 2014
(Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000's)					
Residential	\$11,487	\$1,755	\$14,971	\$14,299	\$24,050
Non-Residential	<u>4,481</u>	<u>22,642</u>	<u>2,126</u>	<u>6,655</u>	<u>5,432</u>
Total	\$15,968	\$24,397	\$17,097	\$20,954	\$29,482
Units					
Single Family	2	3	2	7	7
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total	2	3	2	7	17

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS

San Mateo County
2010 through 2014
(Dollars in Thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000's)					
Residential	\$473,198	\$557,810	\$618,097	\$743,743	\$806,994
Non-Residential	<u>412,538</u>	<u>335,521</u>	<u>244,055</u>	<u>494,658</u>	<u>1,016,791</u>
Total	\$885,736	\$893,334	\$862,152	\$1,238,401	\$1,823,785
Units					
Single Family	216		264	350	315
Multiple Family	<u>111</u>		<u>671</u>	<u>840</u>	<u>1,302</u>
Total	327	758	935	1,190	1,617

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

Public Utilities

Water is supplied to the City by the Mid-Peninsula Water District. Electricity and natural gas are provided by Pacific Gas & Electric Company and the telephone service is supplied by Pacific Bell and Comcast.

Transportation

Highways: The City is served by U.S. 101 and Interstate 280 for North/South traffic and is located halfway between State Highways 92 and 84 for East/West traffic across the bay and to the

coast. Major local streets are: El Camino Real (U.S. 101), Ralston Avenue and Alameda de las Pulgas.

- Rail:** The City is served by Union Pacific Railroad's main line with local spurs. Commuter train service is provided by CAL TRAIN to San Francisco and San Jose from the Belmont Depot located on El Camino Real at Ralston Avenue.
- Trucks:** Approximately 50 common carriers serve the area including two with terminals in San Carlos. Overnight deliveries are made to all points within 500 miles and all California cities.
- Bus:** Regional and local bus service is provided by SamTrans (San Mateo County Transit) between San Francisco and Palo Alto. SamTrans also coordinates its service with other regional agencies (BART, Santa Clara County Transit, etc.).
- Water:** The City is 20 miles south of San Francisco port facilities, four miles north of Redwood City port facilities and 30 miles across the bay from the Port of Oakland.
- Air:** San Francisco International Airport is located 10 miles to the north. San Jose is 32 miles to the south and the neighboring (3 miles) San Carlos Airport is a local general aviation facility with a control tower and runway 2,600 feet long.

Assessed Valuations

Set forth below is a listing of the City's assessed valuations (before redevelopment adjustment) for fiscal years 2006 through 2016.

ASSESSED VALUATIONS City of Belmont 2006 through 2016

Fiscal Year Ended June 30	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Total</u>
2006	\$3,592,096,497	\$88,633,091	\$3,680,729,588
2007	3,906,974,122	66,924,115	3,973,898,237
2008	4,168,658,780	66,903,654	4,235,562,434
2009	4,425,524,048	64,553,427	4,490,077,475
2010	4,528,682,160	69,208,395	4,597,890,555
2011	4,482,467,651	53,259,529	4,535,727,180
2012	4,536,564,938	72,485,607	4,609,050,545
2013	4,712,015,494	59,006,643	4,771,022,137
2014	5,013,524,006	61,287,931	5,074,811,937
2015	5,290,249,361	65,747,681	5,355,997,042
2016	5,648,819,452	63,091,530	5,711,910,982

Source: San Mateo County Assessor's Office.

APPENDIX C

DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS FOR THE NEW MONEY BONDS

The following is a brief summary of certain of the definitions and provisions of the Indenture and the Installment Purchase Agreement for the New Money Bonds. Except where indicated, the Installment Purchase Agreement and the Indenture are substantially similar and their terms are collectively summarized in this Appendix. This summary is not intended to be comprehensive or definitive, and reference is made to the actual documents for the complete terms thereof.

DEFINITIONS

The following are summaries of certain of the definitions in the Indenture and the Installment Purchase Agreement for the New Money Bonds. All capitalized terms not defined therein or elsewhere in the Official Statement have the meanings set forth in the Indenture and the Installment Purchase Agreement.

Agreement

The term “Agreement” means the Installment Purchase Agreement, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented.

Annual Debt Service

The term “Annual Debt Service” means, for any Fiscal Year, the sum of

(a) the interest accruing on all Parity Debt during such Fiscal Year, assuming that all Parity Debt is retired as scheduled, plus

(b) the principal amount (including principal due as sinking fund installment payments) allocable to all Parity Debt in such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, each payment date for principal or the date of delivery of such Parity Debt (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal, *provided*, that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

(i) with respect to any such Parity Debt bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be (i) with respect to such Parity Debt then outstanding, one hundred ten per cent (110%) of the greater of (1) the daily average interest rate on such Parity Debt during the twelve (12) calendar months next preceding the date of such calculation (or the portion of the then current Fiscal Year that such Parity Debt has borne interest) or (2) the most recent effective interest rate on such Parity Debt prior to the date of such calculation or (ii) with respect to such Parity Debt then proposed to be issued, 80% of the interest rate on actively traded 30-year United States Treasury obligations;

(ii) with respect to any such Parity Debt having twenty-five per cent (25%) or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated for the Fiscal Year of determination as if the interest on and principal of such Parity Debt were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty (20) years from the date of such Parity Debt provided, however that the full amount of such Parity Debt shall be included in Annual Debt Service if the date of calculation is within 24 months of the actual maturity of the payment;

(iii) with respect to any such Parity Debt or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Debt or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(iv) Annual Debt Service shall not include interest on Parity Debt which is to be paid from amounts constituting capitalized interest;

(vi) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Debt to which it relates, no amounts payable under such interest rate swap in excess of debt service payable under such Parity Debt agreement shall be included in the calculation of Annual Debt Service unless the sum of (i) the interest payable on such Parity Debt, plus (ii) the amounts payable by the City under such interest rate swap agreement, less (iii) the amounts receivable by the City under such interest rate swap agreement, are greater than the interest payable on such Parity Debt, in which case the amount of such payments to be made that exceed the interest to be paid on such Parity Debt shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (A) of this definition; and

(vii) Repayment Obligations proposed to be entered into as Parity Debt shall be deemed to be payable at the scheduled amount due under such Repayment Obligation as calculated under this definition.

Authorized Investments

The term “Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) For all purposes, including defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Cash (fully insured by the Federal Deposit Insurance Corporation),

(ii) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“U.S. Treasury Obligations”),

(iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America,

(iv) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or

(v) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(b) For all purposes other than defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Housing Administration debentures.

(ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (“FHLMC”)Senior Debt ObligationsParticipation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)Consolidated system-wide bonds and notes
- Federal Home Loan Banks (“FHL Banks”)Consolidated debt obligations
- Federal National Mortgage Association (“FNMA”)Senior debt obligationsMortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(iii) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P and “Prime-1” by Moody’s, which may include the Trustee and its affiliates.

(iv) Deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (“FDIC”), in banks which have capital and surplus of at least \$15 million.

(v) Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase “A-1+” by S&P and “Prime-1” by Moody’s.

(vi) Money market funds rated “AAm” or “AAm-G” by S&P, or better, and if rated by Moody’s rated “Aa2” or better, including funds for which the Trustee, its parent company, if any, or any affiliates or subsidiaries of the Trustee provide investment advising or other management services.

(vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A-” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.

(ix) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated “AA-” or better by S&P and “Aa3” or better by Moody’s.

(x) Repurchase agreements or reverse repurchase (including those of the Trustee or any of its affiliates) entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A-” by S&P and “A3” Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A-” by S&P and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “A-” by S&P and “A3” by Moody’s (each an “Eligible Provider”), provided that:

(A) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");

(B) the trustee or a third party acting solely as agent therefore or for the Issuer (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

(C) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Issuer and the Lessee setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(D) the repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(E) the repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the Issuer and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) post Eligible Collateral or (ii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Issuer or the Trustee.

(xi) Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's, each of which shall be an Eligible Provider, provided that:

(1) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Issuer and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(3) the provider shall send monthly reports to the Trustee and the Issuer setting forth the balance the Issuer or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

(4) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(6) the Issuer and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

(7) the Issuer and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (A) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (B) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (C) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(8) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Issuer, (ii) post Eligible Collateral with the Issuer, the Trustee or a Custodian free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iii) repay the principal of and accrued but unpaid interest on the investment;

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Issuer or the Trustee, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee.

(9) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Issuer and the Lessee setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(10) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(11) the investment agreement must provide that if during its term: (A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and (B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate; and

(xii) Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its name.

Bonds

The term “Bonds” means the Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2016 authorized, executed and delivered under the Indenture.

Installment Payments

“Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the City under and pursuant to the Agreement.

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means, as of any date of calculation, the largest Annual Debt Service during the period from the date of such calculation through the final maturity date of all Parity Debt.

Net Proceeds

The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds), and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Agreement or of any Supplemental Agreement or of any resolution authorizing the execution of any Parity Debt, such as compensation, reimbursement and indemnification of the Trustee and the Authority and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (i) payment of Parity Debt and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

Parity Debt

The term “Parity Debt” means the Installment Payments, the 2016 Refunding Installment Payments, and any Parity Obligations.

Project

The term “Project” means any additions, betterments, extensions and improvements to the System financed or refinanced under the Agreement and described therein.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the City to the Authority under the terms of the Agreement.

Record Date

“Record Date” means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Reserve Fund

“Reserve Fund” means the Reserve Fund held by the Trustee under the Indenture.

Reserve Fund Requirement

“Reserve Fund Requirement” shall mean the amount, as calculated from time to time, equal to the least of (i) maximum annual debt service on the Bonds, (ii) 125% of average annual debt service on the Bonds or (iii) 10% of the original principal amount of the Bonds; *provided*, that notwithstanding any provision hereof to the contrary, with the prior written consent of the Bond Insurer, all or any portion of the Reserve Fund Requirement may (following written notification to the rating agencies then rating the Bonds) be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with money on deposit in such Reserve Fund, provide an aggregate amount equal to the Reserve Fund Requirement, so long as (i) the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility is rated in one of the two highest rating categories (at all times) by Moody’s and by Standard & Poor’s, (ii) in the case of a substitution of cash for a credit facility, the Trustee has received an opinion of counsel of recognized standing in the field of law relating to municipal bonds substantially to the effect that such substitution is authorized or permitted under this Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, (iii) if such credit facility is not an irrevocable surety bond in the highest rating category of both Moody’s and Standard & Poor’s, the Trustee has received written confirmation from the rating agencies then rating the Bonds that such substitution will not cause a lowering or withdrawal of any ratings on the Bonds, and (iv) the Trustee has received an opinion of counsel to the effect that the credit facility to be substituted is a valid, binding and legally enforceable obligation; and *provided further*, that in the event that any previously funded cash portion of the Reserve Fund Requirement is satisfied by the provision of such a policy of insurance, surety bond, letter of credit or other comparable credit facility, or a combination thereof, the amount of money the Reserve Fund equal to the portion of the Reserve Fund Requirement then being satisfied by such credit facility shall (upon receipt of a Written Request of the City) be withdrawn by the Trustee from the Reserve Fund and transferred to the City.

Revenues

“Revenues” means all Installment Payments received or receivable by the Authority.

Subordinate Obligations

The term “Subordinate Obligations” means the obligations of the City that are subordinate in payment to the Installment Payments.

Supplemental Agreement

The term “Supplemental Agreement” means any agreement then in full force and effect which has been entered into by the City and the Trustee, amendatory of or supplemental to the Agreement; but only if and to the extent that such Supplemental Agreement is specifically authorized under the Agreement.

Supplemental Indenture

“Supplemental Indenture” means any indenture then in full force and effect which has been entered into by the Authority and the Trustee, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

System

The term “System” means the whole and each and every part of the sewer system of the City, including the portion thereof existing on the date of the Agreement, and including all additions, betterments, extensions and improvements to such system or any part thereof and hereafter acquired or constructed.

System Net Revenues

The term “System Net Revenues” means for any period System Revenues less Operation and Maintenance Costs for such period.

System Revenues

The term “System Revenues” means all sewer service charges received or receivable by the City from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees, rates, charges and all amounts paid under any contracts received by or owed to the City in connection with the operation of the System and all proceeds of insurance relating to the System and all other income and revenue howsoever derived by the City from the ownership or operation of the System or arising from the System, subject to and after satisfaction of any Prior Liens. System Revenues shall not include interest earned on investments, income on joint ventures, disaster assistance or intergovernmental transfers, connection fees or developer agreement revenues.

SUMMARY OF INDENTURE

The following is a summary of certain of the provisions of the Indenture for the New Money Bonds. This summary is not intended to be comprehensive or definitive, and reference is made to the actual document for the complete terms thereof.

Procedure for Amendment of the Indenture. The Indenture and the rights and obligations of the Authority and of the Owners under the Indenture and the Agreement and the rights and obligations of the City and Authority under the Indenture may be amended at any time by a Supplemental Indenture or Supplemental Agreement which shall become binding when the written consents of the Owners of at least sixty per cent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Indenture) are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Authority to pay the interest or principal or redemption premium, if any, of any Bond or reduce the scheduled Installment Payments to come due, without the express written consent of the Owner of the affected Bond, or (2) permit the creation by the Authority of any mortgage, pledge or lien upon the Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds or (3) permit the creation by the City of any mortgage, pledge or lien upon the System Revenues (as defined in the Agreement) superior to or on a parity with the pledge and lien created by an Installment Purchase Agreement (except as permitted in the Agreement, or (4) reduce the percentage of Bonds required for the written consent to any such amendment, or (5) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Authority and of the Owners and the Agreement and the rights and obligations of the City and the Authority thereunder may also be amended at any time by a Supplemental

Indenture or Supplemental Agreement which shall become binding upon execution, without the consent of any Owners but only to the extent permitted by law and only for any one or more of the following purposes:

(a) To add to the agreements and covenants of the Authority or the City other agreements and covenants thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Authority or the City;

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision, or in regard to questions arising thereunder, as may deem necessary or desirable and not inconsistent therewith, and which shall not materially adversely affect the interests of the Owners of the Outstanding Bonds, as evidenced by the opinion of counsel delivered pursuant to the Indenture;

(c) To modify, amend or supplement the Indenture in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds, as evidenced by the opinion of counsel delivered pursuant to the Indenture;

(d) To maintain the exclusion under the Code of interest on the Series 2009A Bonds from gross income for federal income tax purposes;

(e) To the extent necessary to maintain any then existing rating by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) or Standard & Poor's (if S&P is then rating the Bonds) (or in connection with placing a credit facility in the Reserve Fund or;

(f) For any other purpose that does not materially adversely affect the interests of the Owners of the Outstanding Bonds, as evidenced by the opinion of counsel delivered pursuant to the Indenture.

Events of Default and Acceleration of Maturities. If one or more of the following events (an "Event of Default") shall happen, that is to say:

(a) If default shall be made in the due and punctual payment of the interest on any Bond or when and as the same shall become due and payable; or

(b) If default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on or of any Sinking Fund Installment for any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; or

(c) If an Event of Default shall occur under the Agreement;

then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written request of the Owners of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding, shall, by notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding; *provided*, any such declaration shall be limited to those Bonds corresponding in principal amount and maturity date to the principal components of delinquent Installment Payments related to such default (Bonds to be selected by lot within a maturity if necessary); and *provided further* that if, at any time after the principal of the Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered, there shall be deposited

with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the expenses of the Trustee, including attorneys' fees, together with interest on any such amounts advanced as provided in the Indenture, and any and all other defaults known to the Trustee (other than in the payment of interest and principal on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured or provision shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; except that no such rescission or annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Discharge of Bonds. If there shall be paid, to the Owners of all or a portion of the Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated therein and herein, then the owners of such Bonds shall cease to be entitled to the pledge of Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except for the Authority's obligations to indemnify the Trustee hereunder, which shall survive.

Any Outstanding Bonds for the payment of which money shall have been set aside to be held in trust by the Trustee for such payment at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid.

SUMMARY OF THE INSTALLMENT PURCHASE AGREEMENT

The following is a collective summary of certain of the terms of the Installment Purchase Agreement for the New Money Bonds. This summary is not intended to be comprehensive or definite, and reference is made to the actual documents for the complete terms thereof.

Changes to the Project. The City may at any time substitute other sewer improvements for the then existing components of the Project by submitting a Written Request of the City to the Authority, with a copy to the Trustee (who shall not be required to review or analyze such Written Request, but shall retain such Written request as a repository for the Owners of the Bonds), specifying the components of the Project to be substituted and the new components.

Covenant Against Encumbrances. The City will not mortgage or otherwise encumber, pledge or place any charge upon any of the System Net Revenues except as provided in the Agreement, and will not issue any obligations secured by System Net Revenues senior to the Parity Debt; *provided*, that the City may at any time issue any Subordinate Obligations.

Covenant Against Sale or Other Disposition of the System. The City will not sell or otherwise dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of the System Net Revenues, unless the Installment Payments have been fully paid or provision has been made therefor in accordance with the Agreement. The City will not enter into any lease or agreement which impairs the operation of the System or any part thereof necessary to secure adequate System Net Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Owners with respect to the System Net Revenues or the operation of the System.

Covenant Regarding Operation and Maintenance of System. The City will maintain and preserve the System in good repair and working order at all times and will operate the System in an efficient and economical manner.

Insurance. The City will procure and maintain at all times insurance on the System against such risks (including accident to or destruction of the System) as are usually insured in connection with operations similar to the System and, to the extent such insurance is available for reasonable premiums from a reputable insurance company, such insurance shall be adequate in amount and, as to the risks insured against, shall be maintained with responsible insurers; *provided*, that such insurance coverage may be satisfied under a self-insurance program which is actuarially sound.

The City shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its directors, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the System, and such insurance shall afford protection in such amounts as are usually covered in connection with operations similar to the System; *provided*, that such insurance coverage may be satisfied under a self-insurance program which is actuarially sound.

If all or any part of the System shall be damaged or destroyed the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such damage or destruction, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such damage or destruction so that the ability of the City to pay Installment Payments when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the System Revenue Fund, *provided*, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments as they come due and Parity Obligation Payments as they shall become due.

If such damage or destruction have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Installment Payments, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the System Revenue Fund.

Eminent Domain Proceeds. If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such eminent domain proceedings so that the ability of the City to pay Installment Payments when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the System Revenue Fund, *provided*, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments as they come due and Parity Obligation Payments as they shall become due.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Installment Payments, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the System Revenue Fund.

Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the City in the due and punctual payment of any Installment Payment or any Parity Debt when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any of the other agreements or covenants required in the Agreement to be performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Authority or the Trustee; provided that such default shall not constitute an Event of Default, if the City shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith shall proceed to cure such default within a reasonable period of time, not to exceed one hundred eighty (180) days after the City's receipt of such default notice;

(3) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(4) if payment of the principal of any Parity Debt is accelerated in accordance with its terms;

then and in each and every such case during the continuance of such Event of Default specified in clauses (3) and (4) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This paragraph however, is subject to the condition that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Installment Payments or the unpaid payment of any other Parity Debt referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Installment Payments or such other Parity Debt if paid in accordance with their terms, and the reasonable expenses of the Authority and the Trustee and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority and the Trustee or provision deemed by the Authority and the Trustee to be adequate shall have been made therefor, then and in every such case the Authority and the Trustee, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Amendments. The Agreement may only be amended in accordance with the terms of Indenture.

APPENDIX D

DEFINITIONS AND SUMMARY OF LEGAL DOCUMENTS FOR THE REFUNDING BONDS

The following is a brief summary of certain of the definitions and provisions of the Indenture and the Installment Purchase Agreement for the Refunding Bonds. Except where indicated, the Installment Purchase Agreement and the Indenture are substantially similar and their terms are collectively summarized in this Appendix. This summary is not intended to be comprehensive or definitive, and reference is made to the actual documents for the complete terms thereof.

DEFINITIONS

The following are summaries of certain of the definitions in the Indenture and the Installment Purchase Agreement for the Refunding Bonds. All capitalized terms not defined therein or elsewhere in the Official Statement have the meanings set forth in the Indenture and the Installment Purchase Agreement.

Agreement

The term “Agreement” means the Installment Purchase Agreement, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented.

Annual Debt Service

The term “Annual Debt Service” means, for any Fiscal Year, the sum of

(a) the interest accruing on all Parity Debt during such Fiscal Year, assuming that all Parity Debt is retired as scheduled, plus

(b) the principal amount (including principal due as sinking fund installment payments) allocable to all Parity Debt in such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, each payment date for principal or the date of delivery of such Parity Debt (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal, *provided*, that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

(i) with respect to any such Parity Debt bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be (i) with respect to such Parity Debt then outstanding, one hundred ten per cent (110%) of the greater of (1) the daily average interest rate on such Parity Debt during the twelve (12) calendar months next preceding the date of such calculation (or the portion of the then current Fiscal Year that such Parity Debt has borne interest) or (2) the most recent effective interest rate on such Parity Debt prior to the date of such calculation or (ii) with respect to such Parity Debt then proposed to be issued, 80% of the interest rate on actively traded 30-year United States Treasury obligations;

(ii) with respect to any such Parity Debt having twenty-five per cent (25%) or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated for the Fiscal Year of determination as if the interest on and principal of such Parity Debt were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty (20) years from the date of such Parity Debt provided, however that the full amount of such Parity Debt shall be included in Annual Debt Service if the date of calculation is within 24 months of the actual maturity of the payment;

(iii) with respect to any such Parity Debt or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Debt or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(iv) Annual Debt Service shall not include interest on Parity Debt which is to be paid from amounts constituting capitalized interest;

(vi) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Debt to which it relates, no amounts payable under such interest rate swap in excess of debt service payable under such Parity Debt agreement shall be included in the calculation of Annual Debt Service unless the sum of (i) the interest payable on such Parity Debt, plus (ii) the amounts payable by the City under such interest rate swap agreement, less (iii) the amounts receivable by the City under such interest rate swap agreement, are greater than the interest payable on such Parity Debt, in which case the amount of such payments to be made that exceed the interest to be paid on such Parity Debt shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (A) of this definition; and

(vii) Repayment Obligations proposed to be entered into as Parity Debt shall be deemed to be payable at the scheduled amount due under such Repayment Obligation as calculated under this definition.

Authorized Investments

The term “Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) For all purposes, including defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Cash (fully insured by the Federal Deposit Insurance Corporation),

(ii) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“U.S. Treasury Obligations”),

(iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America,

(iv) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or

(v) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(b) For all purposes other than defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Housing Administration debentures.

(ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (“FHLMC”)
 - Senior Debt Obligations
 - Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated system-wide bonds and notes
- Federal Home Loan Banks (“FHL Banks”)
 - Consolidated debt obligations
- Federal National Mortgage Association (“FNMA”)
 - Senior debt obligations
 - Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(iii) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P and “Prime-1” by Moody’s, which may include the Trustee and its affiliates.

(iv) Deposits, including bank deposit products, certificates of deposit (including those placed by a third party pursuant to an agreement between the Authority and the Trustee), trust funds, trust accounts, interest-bearing deposits, time deposits, interest-bearing money market accounts and overnight bank deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (“FDIC”), in banks (including the Trustee or any of its affiliates) which have capital and surplus of at least \$15 million.

(v) Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase “A-1+” by S&P and “Prime-1” by Moody’s.

(vi) Money market funds rated “AAm” or “AAm-G” by S&P, or better, and if rated by Moody’s rated “Aa2” or better, including funds for which the Trustee, its parent company, if any, or any affiliates or subsidiaries of the Trustee provide transfer agency, custodial, investment advising or other management services and receives and retains a fee for services to the fund.

(vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A-” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.

(ix) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated “AA-” or better by S&P and “Aa3” or better by Moody’s.

(x) Repurchase agreements or reverse repurchase (including those of the Trustee or any of its affiliates) entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A-” by S&P and “A3” Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which

has, long-term debt rated at least “A-” by S&P and “A3” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “A-” by S&P and “A3” by Moody’s (each an “Eligible Provider”), provided that:

(A) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the total principal when the collateral type is FNMA and FHLMC (“Eligible Collateral”);

(B) the trustee or a third party acting solely as agent therefore or for the Issuer (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;

(C) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Issuer and the Lessee setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(D) the repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(E) the repurchase or reverse repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, notify the Issuer and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) post Eligible Collateral or (ii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Issuer or the Trustee.

(xi) Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA-” by S&P and “Aa3” by Moody’s, each of which shall be an Eligible Provider, provided that:

(1) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior notice; the Issuer and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(3) the provider shall send monthly reports to the Trustee and the Issuer setting forth the balance the Issuer or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

(4) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(6) the Issuer and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

(7) the Issuer and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (A) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (B) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (C) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(8) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Issuer, (ii) post Eligible Collateral with the Issuer, the Trustee or a Custodian free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iii) repay the principal of and accrued but unpaid interest on the investment;

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Issuer or the Trustee, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee.

(9) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Issuer and the Lessee setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(10) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(11) the investment agreement must provide that if during its term: (A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and (B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the

provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate; and

(xii) Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its name.

Bonds

The term "Bonds" means the Belmont Joint Powers Financing Authority Sewer Refunding Revenue Bonds, Series 2016 authorized, executed and delivered under the Indenture.

Installment Payments

"Installment Payments" means the Installment Payments of interest and principal scheduled to be paid by the City under and pursuant to the Agreement.

Maximum Annual Debt Service

The term "Maximum Annual Debt Service" means, as of any date of calculation, the largest Annual Debt Service during the period from the date of such calculation through the final maturity date of all Parity Debt.

Net Proceeds

The term "Net Proceeds" means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

Operation and Maintenance Costs

The term "Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds), and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Agreement or of any Supplemental Agreement or of any resolution authorizing the execution of any Parity Debt, such as compensation, reimbursement and indemnification of the Trustee and the Authority and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (i) payment of Parity Debt and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

Parity Debt

The term "Parity Debt" means the Installment Payments, the 2016 Refunding Installment Payments, and any Parity Obligations.

Project

The term “Projects” means the additions, betterments, extensions and improvements to the System financed or refinanced under the Agreement and described therein.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the City to the Authority under the terms of the Agreement.

Record Date

“Record Date” means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

Reserve Fund

“Reserve Fund” means the Reserve Fund held by the Trustee under the Indenture.

Reserve Fund Requirement

“Reserve Fund Requirement” shall mean the amount, as calculated from time to time, equal to the least of (i) maximum annual debt service on the Bonds, (ii) 125% of average annual debt service on the Bonds or (iii) 10% of the original principal amount of the Bonds; *provided*, that notwithstanding any provision hereof to the contrary, with the prior written consent of the Bond Insurer, all or any portion of the Reserve Fund Requirement may (following written notification to the rating agencies then rating the Bonds) be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with money on deposit in such Reserve Fund, provide an aggregate amount equal to the Reserve Fund Requirement, so long as (i) the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility is rated in one of the two highest rating categories (at all times) by Moody’s and by Standard & Poor’s, (ii) in the case of a substitution of cash for a credit facility, the Trustee has received an opinion of counsel of recognized standing in the field of law relating to municipal bonds substantially to the effect that such substitution is authorized or permitted under this Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, (iii) if such credit facility is not an irrevocable surety bond in the highest rating category of both Moody’s and Standard & Poor’s, the Trustee has received written confirmation from the rating agencies then rating the Bonds that such substitution will not cause a lowering or withdrawal of any ratings on the Bonds, and (iv) the Trustee has received an opinion of counsel to the effect that the credit facility to be substituted is a valid, binding and legally enforceable obligation; and *provided further*, that in the event that any previously funded cash portion of the Reserve Fund Requirement is satisfied by the provision of such a policy of insurance, surety bond, letter of credit or other comparable credit facility, or a combination thereof, the amount of money the Reserve Fund equal to the portion of the Reserve Fund Requirement then being satisfied by such credit facility shall (upon receipt of a Written Request of the City) be withdrawn by the Trustee from the Reserve Fund and transferred to the City.

Revenues

“Revenues” means all Installment Payments received or receivable by the Authority.

Subordinate Obligations

The term “Subordinate Obligations” means the obligations of the City that are subordinate in payment to the Installment Payments.

Supplemental Agreement

The term “Supplemental Agreement” means any agreement then in full force and effect which has been entered into by the City and the Trustee, amendatory of or supplemental to the Agreement; but only if and to the extent that such Supplemental Agreement is specifically authorized under the Agreement.

Supplemental Indenture

“Supplemental Indenture” means any indenture then in full force and effect which has been entered into by the Authority and the Trustee, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

System

The term “System” means the whole and each and every part of the sewer system of the City, including the portion thereof existing on the date of the Agreement, and including all additions, betterments, extensions and improvements to such system or any part thereof and hereafter acquired or constructed.

System Net Revenues

The term “System Net Revenues” means for any period System Revenues less Operation and Maintenance Costs for such period.

System Revenues

The term “System Revenues” means all sewer service charges received or receivable by the City from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees, rates, charges and all amounts paid under any contracts received by or owed to the City in connection with the operation of the System and all proceeds of insurance relating to the System and all other income and revenue howsoever derived by the City from the ownership or operation of the System or arising from the System, subject to and after satisfaction of any Prior Liens. System Revenues shall not include interest earned on investments, income on joint ventures, disaster assistance or intergovernmental transfers, connection fees or developer agreement revenues.

SUMMARY OF INDENTURE

The following is a summary of certain of the provisions of the Indenture for the Refunding Bonds. This summary is not intended to be comprehensive or definitive, and reference is made to the actual document for the complete terms thereof.

Procedure for Amendment of the Indenture. The Indenture and the rights and obligations of the Authority and of the Owners under the Indenture and the Agreement and the rights and obligations of the City and Authority under the Indenture may be amended at any time by a Supplemental Indenture or Supplemental

Agreement which shall become binding when the written consents of the Owners of at least sixty per cent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Indenture) are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Authority to pay the interest or principal or redemption premium, if any, of any Bond or reduce the scheduled Installment Payments to come due, without the express written consent of the Owner of the affected Bond, or (2) permit the creation by the Authority of any mortgage, pledge or lien upon the Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds or (3) permit the creation by the City of any mortgage, pledge or lien upon the System Revenues (as defined in the Agreement) superior to or on a parity with the pledge and lien created by an Installment Purchase Agreement (except as permitted in the Agreement, (4) reduce the percentage of Bonds required for the written consent to any such amendment, or (5) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Authority and of the Owners and the Agreement and the rights and obligations of the City and the Authority thereunder may also be amended at any time by a Supplemental Indenture or Supplemental Agreement which shall become binding upon execution, without the consent of any Owners but only to the extent permitted by law and only for any one or more of the following purposes:

(a) To add to the agreements and covenants of the Authority or the City other agreements and covenants thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Authority or the City;

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision, or in regard to questions arising thereunder, as may deem necessary or desirable and not inconsistent therewith, and which shall not materially adversely affect the interests of the Owners of the Outstanding Bonds, as evidenced by the opinion of counsel delivered pursuant to the Indenture;

(c) To modify, amend or supplement the Indenture in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds, as evidenced by the opinion of counsel delivered pursuant to the Indenture;

(d) To maintain the exclusion under the Code of interest on the Series 2009A Bonds from gross income for federal income tax purposes;

(e) To the extent necessary to maintain any then existing rating by Moody's (if Moody's is then rating the Bonds), Fitch (if Fitch is then rating the Bonds) or Standard & Poor's (if S&P is then rating the Bonds) (or in connection with placing a credit facility in the Reserve Fund or;

(f) For any other purpose that does not materially adversely affect the interests of the Owners of the Outstanding Bonds, as evidenced by the opinion of counsel delivered pursuant to the Indenture.

Events of Default and Acceleration of Maturities. If one or more of the following events (an "Event of Default") shall happen, that is to say:

(a) If default shall be made in the due and punctual payment of the interest on any Bond or when and as the same shall become due and payable; or

(b) If default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on or of any Sinking Fund Installment for any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; or

(c) If an Event of Default shall occur under the Agreement;

then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written request of the Owners of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding, shall, by notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding; *provided*, any such declaration shall be limited to those Bonds corresponding in principal amount and maturity date to the principal components of delinquent Installment Payments related to such default (Bonds to be selected by lot within a maturity if necessary); and *provided further* that if, at any time after the principal of the Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered, there shall be deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the expenses of the Trustee, including attorneys' fees, together with interest on any such amounts advanced as provided in the Indenture, and any and all other defaults known to the Trustee (other than in the payment of interest and principal on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured or provision shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul such declaration and its consequences; except that no such rescission or annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Discharge of Bonds. If there shall be paid, to the Owners of all or a portion of the Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated therein and herein, then the owners of such Bonds shall cease to be entitled to the pledge of Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except for the Authority's obligations to indemnify the Trustee hereunder, which shall survive.

Any Outstanding Bonds for the payment of which money shall have been set aside to be held in trust by the Trustee for such payment at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid.

SUMMARY OF THE INSTALLMENT PURCHASE AGREEMENT

The following is a collective summary of certain of the terms of the Installment Purchase Agreement for the Refunding Bonds. This summary is not intended to be comprehensive or definite, and reference is made to the actual documents for the complete terms thereof.

Covenant Against Encumbrances. The City will not mortgage or otherwise encumber, pledge or place any charge upon any of the System Net Revenues except as provided in the Agreement, and will not issue any obligations secured by System Net Revenues senior to the Parity Debt; *provided*, that the City may at any time issue any Subordinate Obligations.

Covenant Against Sale or Other Disposition of the System. The City will not sell or otherwise dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of the System Net Revenues, unless the Installment Payments have been fully paid or provision has been made therefor in

accordance with the Agreement. The City will not enter into any lease or agreement which impairs the operation of the System or any part thereof necessary to secure adequate System Net Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Owners with respect to the System Net Revenues or the operation of the System.

Covenant Regarding Operation and Maintenance of System. The City will maintain and preserve the System in good repair and working order at all times and will operate the System in an efficient and economical manner.

Insurance. The City will procure and maintain at all times insurance on the System against such risks (including accident to or destruction of the System) as are usually insured in connection with operations similar to the System and, to the extent such insurance is available for reasonable premiums from a reputable insurance company, such insurance shall be adequate in amount and, as to the risks insured against, shall be maintained with responsible insurers; *provided*, that such insurance coverage may be satisfied under a self-insurance program which is actuarially sound.

The City shall procure and maintain or cause to be procured and maintained public liability insurance covering claims against the City (including its directors, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the City's operations, including any use of the System, and such insurance shall afford protection in such amounts as are usually covered in connection with operations similar to the System; *provided*, that such insurance coverage may be satisfied under a self-insurance program which is actuarially sound.

If all or any part of the System shall be damaged or destroyed the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such damage or destruction, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such damage or destruction so that the ability of the City to pay Installment Payments when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the System Revenue Fund, *provided*, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments as they come due and Parity Obligation Payments as they shall become due.

If such damage or destruction have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Installment Payments, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the System Revenue Fund.

Eminent Domain Proceeds. If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from such additions, betterments,

extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such eminent domain proceedings so that the ability of the City to pay Installment Payments when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the System Revenue Fund, provided, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments as they come due and Parity Obligation Payments as they shall become due.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Installment Payments, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the System Revenue Fund.

Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the City in the due and punctual payment of any Installment Payment or any Parity Debt when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any of the other agreements or covenants required in the Agreement to be performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Authority or the Trustee; provided that such default shall not constitute an Event of Default, if the City shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith shall proceed to cure such default within a reasonable period of time, not to exceed one hundred eighty (180) days after the City's receipt of such default notice;

(3) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(4) if payment of the principal of any Parity Debt is accelerated in accordance with its terms;

then and in each and every such case during the continuance of such Event of Default specified in clauses (3) and (4) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. This paragraph however, is subject to the condition that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Installment Payments or the unpaid payment of any other Parity Debt referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Installment Payments or such other Parity Debt if paid in accordance with their terms, and the reasonable expenses of the Authority and the Trustee and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority and the Trustee or provision deemed by the Authority and the Trustee to be adequate shall have

been made therefor, then and in every such case the Authority and the Trustee, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Amendments. The Agreement may only be amended in accordance with the terms of Indenture.

APPENDIX E

FORM OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

March 24, 2016

Belmont Joint Powers Financing Authority
1070 Sixth Avenue
Belmont, California 94002

Members of the Governing Board:

We have acted as Bond Counsel in connection with the issuance by the Belmont Joint Powers Financing Authority (the “Authority”) of [\$16,120,000 aggregate principal amount of Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2016/\$9,945,000 aggregate principal amount of Belmont Joint Powers Financing Authority Sewer Refunding Revenue Bonds, Series 2016] (the “Bonds”) under and pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Law”), and under and pursuant to the Indenture, dated as of March 1, 2016 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

We have reviewed originals or copies identified to our satisfaction as being true copies of the Indenture and certain other records of the Authority. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of Authority officers furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after the examination described above and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth above, we are of the opinion that:

1. The Authority has lawful authority under the Law to enter into the Indenture, and the Authority has duly authorized, executed and delivered the Indenture and, assuming due authorization, execution and delivery by the respective other parties thereto, the Indenture is a legal, valid and binding obligation of the Authority enforceable in accordance with its terms. The Indenture creates a valid pledge of the Revenues (as defined in the Indenture), subject to the provisions thereof permitting the application thereof for the purposes and on the terms and conditions set forth therein.

2. The Authority has lawful authority to issue the Bonds and the Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of California, including the Law and the Indenture. The Bonds constitute legal, valid and binding special obligations of the Authority payable solely from Revenues and amounts on deposit in certain funds and accounts held under the Indenture. The Bonds are not an obligation of the State of California, any public agency thereof (other than the Authority payable solely from the Revenues), the City of Belmont (the “City”) or any member of the Authority; and neither the faith and credit nor the taxing powers of the State of

California or any public agency thereof or any member of the Authority is pledged for the payment of the Bonds. The Authority has no taxing power.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the Authority, the City and others and are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the City have covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of laws, regulations, rulings and judicial decisions as they exist on the date hereof and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Belmont (the “City”) in connection with the issuance of the \$16,120,000 Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2016 (the “New Money Bonds”) and the \$9,945,000 Belmont Joint Powers Financing Authority Sewer Refunding Revenue Bonds, Series 2016 (the “Refunding Bonds” and, collectively with the New Money Bonds, the “Bonds”). The Bonds are being issued pursuant to the respective Indentures, dated as of March 1, 2016 (the “Indentures”), by and between the Belmont Joint Powers Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City has entered into Installment Purchase Agreements, dated as of March 1, 2016 (the “Installment Purchase Agreements”) with the Authority. Under the Installment Purchase Agreements the City will pay Installment Payments (the “Installment Payments”) which will secure in part the Bonds. The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean The Bank of New York Mellon Trust Company, N.A. or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated February 25, 2016.

“Participating Underwriter” shall mean the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the last day of the ninth month after the end of the City’s fiscal year (presently such fiscal year ends June 30), commencing with the report for the fiscal year ending June 30, 2016, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Repository an Annual Report by the date required in subsection (a), the City shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall file a report with the City stating it has filed the Annual Report, if received from the City, in accordance with its obligations hereunder, stating the date it was filed and listing the Repository to which it was provided.

SECTION 4. Form and Content of Annual Reports.

(a) The City’s Annual Report shall contain or include by reference:

(i) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) Updates for the last fiscal year of the information in the following tables from the Section relating to the City in the Official Statement presented in substantially the same format as such tables:

- (A) Number of Users;
- (B) Five Largest Users;
- (C) Sewer System Revenues by Class of User; and

- (D) Summary of Historic Operating Results (with debt service and coverage ratio shown).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Installment Purchase Agreement or its obligations in relation to the Bonds, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (i) principal and interest payment delinquencies.
- (ii) tender offers.
- (iii) defeasances.
- (iv) rating changes.
- (v) the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- (vi) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (vii) unscheduled draws on credit enhancement reflecting financial difficulties.
- (viii) substitution of the credit or liquidity providers or their failure to perform.
- (xi) bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the City.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) non-payment related defaults.
- (ii) modifications to rights of Bondholders.
- (iii) optional, contingent or unscheduled bond calls.

(iv) unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(v) release, substitution or sale of property securing repayment of the Bonds.

(vi) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the City shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the City's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Installment Payments. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

SECTION 9. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner of the Bonds or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived with the consent of the Authority, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting

principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California.

Dated: March 24, 2016

CITY OF BELMONT

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: City of Belmont

Name of Bond Issue: Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2016
Belmont Joint Powers Financing Authority Sewer Refunding Revenue Bonds,
Series 2016

Date of Issuance: March 24, 2016

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Bonds was not released by the City by the date required in the Continuing Disclosure Certificate. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

City of Belmont

By [form only; no signature required]